

MONDAY SPORTS GRAND PRIX Page 18

New Global Challenge: Millions of Refugees Seeking a Better Life

By John Poirier... ZGORZELEC, Poland — Arthur Aryushan does not like lightning. The 8-year-old Armenian boy, with raccoon-like circles under his eyes from fitful nights in a strange place, burrows deep into the armpit of his father, Samuel, seeking shelter.

Journey to Europe First of a series

Creeping through rivers and across railroad trestles at the seams of the former Iron Curtain in the hope of evading the ever-tightening border security and restrictions on legal entry.

Price of Victory: Trouble Seen in U.S.-Japan Trade

By Steven Brill... TOKYO — The trade pact that ended the long, bitter dispute over Japanese trade restrictions in 1980, a victory that allowed both sides to claim understanding and friction down the road, analysts said Sunday.



President Bill Clinton, looking toward North Korea from Observation Post Ouellette in the Demilitarized Zone on Sunday.

Clinton to North Korea: Forget the Bomb

By Ruth Marcus... PANMUNJOM, Korea — President Bill Clinton ventured closer to North Korea than any previous American president as he toured the Korean Demilitarized Zone on Sunday and warned the North Koreans that if they ever use nuclear weapons "it will be the end of their country."

East Germany Counts the Cost Of Privatization

By Brandon Mitchener... DRESDEN — One of the lasting lessons of East Germany's costly conversion from a command to a social market economy is that privatization seldom means automatic salvation.



No Sign of Letup Along the Mississippi Floodwater from the Mississippi River covering farms in St. Charles County, Missouri. There was no sign of a letup Sunday in the worst flooding in the Mississippi Valley since U.S. government record-keeping began 150 years ago. Meanwhile, at least 30 deaths have been attributed to a heat wave on the U.S. East Coast that continued for a fourth day on Sunday. Page 3.

Iraq Bars UN Attempt To Secure Missile Site

By Anthony Lewis... BAGHDAD, Iraq — A team of three United Nations weapons inspectors left Iraq abruptly on Sunday after President Saddam Hussein's officers stopped them from sealing off a missile test site to ensure it would not be used.

Clinton to North Korea: Forget the Bomb

By Ruth Marcus... PANMUNJOM, Korea — President Bill Clinton ventured closer to North Korea than any previous American president as he toured the Korean Demilitarized Zone on Sunday and warned the North Koreans that if they ever use nuclear weapons "it will be the end of their country."

From Glory to Disgrace: Soccer Saga Grips Marseille

By Ian Thomsen... MARSEILLE — The debate over the Olympic Marseille soccer bribery charges continued this weekend in every neighborhood bar, where each local jury must decide for itself whether it has the right to be proud.

Nigerian Rejects Talks on Government

LAGOS (Reuters) — Moshood K.O. Abiola, the apparent winner of Nigeria's scrapped presidential election, said Sunday he rejected his party's negotiations with the military government to form an interim government.

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Q & A: Irish Elite on the Move — to Other Countries

A recent report to the Catholic Bishops' Conference suggests that emigration from Ireland is creating a "brain drain" not seen since the 1960s. Mary Henry is an Irish senator who holds the seat representing Trinity College, Dublin. She spoke with Thomas Crampton of the International Herald Tribune.

Q. Do you see an end to the exodus of Ireland's most highly educated citizens?
A. Some of our best-trained people do, of course, stay, but I think it is a lot of the movers and shakers who go, those who might make a change here.

A few weeks ago I was with really the most impressive of Irish people in the Washington and Baltimore area, and they had extremely important jobs in industry, in the International Monetary Fund, in the World Bank. They really

were inclined to chuckle a little that I thought they should come home. There is no hankering over the old sod, I can tell you.

Q. Is it merely economics?
A. No, it isn't the money. People have told me they just have more scope in America. I think it would help if we in Ireland were slightly less preoccupied with things like condoms.

You know, the national debate on slot machines for condoms has been appalling. To devote the national energy to something like that has been really very foolish when we have so many very real problems.

Q. Are things changing for the better?
A. Well, things do change, it just takes quite a while. I think one of the things that depresses me most is I have said a lot of things publicly which should be said by far more people. It is very depressing to hear people say,

"You are quite right in what you say, but you do understand that in my position I couldn't say anything." I sometimes think I should make a list of these people with special positions.

Q. Has the net effect of membership in the EC been to boost or to slow emigration?
A. It is not so much the EC that has helped slow down emigration, but the unemployment in Britain and in North America has slowed us down.

The Department of Foreign Affairs took the unprecedented step the other day telling students not to go to North America or to Germany unless they had jobs available. Both of those places have been traditional places for students to go.

The EC hasn't slowed it down very much, but it has changed its direction slightly. You do get people now emigrating to Europe, and one fortunate thing about having to learn Irish is that Irish

people don't have a hang-up about having to learn another language.

It is not seen as an impossible feat, whereas in Great Britain, you know, there is much more of the "speak English thing." You get people going off to Denmark. Now, not many people are likely to have learned Danish at school yet it is not considered that they are going to the other side of the moon.

Q. The Irish, then, already see Europe as a whole?
A. Going to Paris is hardly considered going away. In fact an awful lot of months might be more alarmed if their children said they were going to work in Belfast. Certainly anywhere in Europe is considered to be just down the road, not anything to be the least excited about. When you are on a small island, you have to go somewhere.

Q. Are there many Irish "Euro-skeptics"?

A. We are most-committed Europeans. The Maastricht Treaty was passed here by 70 percent and I'd say if it came up tomorrow it would be passed 90 percent to encourage the British. Europe has been extremely good to us.

The EC has been financially terribly good to us and I think intellectually and philosophically very good as well. To make the mental jump over to the other island was not that difficult for us.

Q. Do you see any reason for optimism concerning Northern Ireland, and could the EC work as a catalyst?
A. I wish I could be hopeful, but not just at the moment. For a small island, the less division we have from one another from a practical point of view, the better, I think things might be helped with the European context.

The North-South situation in a European context is our greatest hope I think, of getting a more constructive way forward.

WORLD BRIEFS

North Italy Group Urges Early Vote

ROME (Reuters) — The pro-autonomy Northern League in Italy threatened on Sunday to call a tax strike unless parliament was dissolved quickly in favor of early elections.

The leader, Umberto Bossi, delivered the warning as two leading parties faced challenges from reformists eager to present disillusioned voters with fresh options to replace the discredited ruling order.

Addressing 10,000 supporters in Ponzio, near the northern town of Bergamo, Mr. Bossi said the league wanted President Oscar Luigi Scalfaro to call elections as soon as parliament had passed the 1994 budget, probably in September.

Security Tight as Powell Visits Kuwait

KUWAIT (AP) — Under extra heavy security, General Colin L. Powell arrived in Kuwait on Sunday for his first visit to the emirate since a U.S.-led coalition expelled Iraq from the Gulf nation more than two years ago.

Former President George Bush was the target of an alleged Iraq-sponsored assassination plot when he visited Kuwait on April 12, and U.S. officials, who say they have evidence of Iraqi involvement in the plot, retaliated by launching a missile strike on Baghdad last month. On Sunday, security forces used bomb-sniffing dogs along General Powell's route and searched reporters and other bystanders.

General Powell, 56, is to meet with the emir, Sheikh Jaber al Ahmad al Sabah, and the crown prince, Sheikh Saad al Abdullah al Salim al Sabah. The topics of the talks were not disclosed. "As you know," General Powell said at the airport, "I'm retiring shortly, but I could not retire without coming here for the first time to see the building effort that has taken place."

Algeria Shakes Up Military Chiefs

ALGIERS (Reuters) — Algeria has replaced its defense minister and its armed forces chief of staff in a move suggesting that the army was in a tougher line against Muslim fundamentalists.

Major General Khalid Nezzar was replaced as defense minister by a retired general, Lamine Zouari, a communist from the presidency said. But the communiqué said Mr. Nezzar remained a member of the High Council of State, Algeria's collective presidency.

The army chief of staff, General Abdelmalek Guezennia, was also removed from his post, and replaced by Major General Mohammed Lamari, the communiqué said. No explanation was given for the changes but General Lamari, a former Nezzar aide, is regarded as a hard-line anti-Islamist.

Deng Has Cancer, Japanese Report

TOKYO (AFP) — China's senior leader, Deng Xiaoping, has undergone an operation for testicular cancer, the Yomiuri Shimbun reported Sunday, quoting a reliable Western source in Beijing as saying that Mr. Deng was receiving treatment at home after being operated on last month.

Mr. Deng, who will be 89 next month, has restricted contacts with officials to all but very important matters, the source said. The source told Yomiuri that he had been told about the operation by People's Liberation Army officials.

Vietnamese Challenge POW Claim

HANOI (AP) — Three Vietnamese Army veterans challenged on Sunday the credibility of a former American prisoner of war, Robert Garwood, who claims Hanoi held a number of other POWs after the end of the Vietnam War.

They said Mr. Garwood, a former U.S. Marine captured by the Viet Cong and later court-martialed for collaboration, lived in Vietnam as a virtual free man. He had a house in Hanoi and was engaged to marry a Vietnamese woman, they said. Their version of Mr. Garwood's 14 years in Vietnam clash with the American's own account of life as a miserable prisoner who wanted only to flee to the United States.

Senator Robert C. Smith, a New Hampshire Republican, brought Mr. Garwood back last week for his first visit since 1979 to try to verify his alleged sightings of live captive Americans in the late 1970s. The delegation ended its four-day visit on Sunday. Mr. Smith pressed for more Vietnamese cooperation in resolving the 2,253 cases of U.S. servicemen the Pentagon says are still missing from the Vietnam War, which ended in 1975. Hanoi denies any are being held in Vietnam.

TRAVEL UPDATE

The U.S. State Department warned Americans living or traveling in the former Yugoslavia to be on guard against possible terrorist attacks by Iranian "Islamic Revolutionary Guard Corps and/or Hezbollah." (AFP)

With each fresh eruption of terrorism in the United States this year the nation's major airports have gone on security alert, aviation security experts say. The heightened security will continue through the summer, when about 130 million Americans are expected to fly. (NYT)

Cathay Pacific of Hong Kong is expected to begin twice-weekly flights to Cairns, Australia, by the end of the year. (AFP)

The state-owned China Southern Airline will lease 11 more Boeing passenger planes this year. The additional aircraft will bring to at least 17 the number of planes leased in 1993 by the Guangzhou carrier, the official China Daily reported. (Reuters)

The bodies of two European tourists who were apparently killed by Peruvian rebels have been found in the Andes. The couple, an Austrian woman and a Swiss man, were found 275 miles (440 kilometers) southeast of Lima. (AP)

The Israeli public sector strike over pay spread Sunday to the railways as civil servants threatened to bring the country to a halt. Unions halted all trains after talks failed. The strikes began Wednesday. (AFP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Mongolia.
- TUESDAY: Mongolia, Kosovo, Serbia.
- WEDNESDAY: France, Iraq, Monaco, Tahiti.
- THURSDAY: Brunei.
- SATURDAY: Iraq, Lesotho, South Korea.

Sources: J.P. Morgan, Reuters.

Israel Faults Syria Over Latest Attacks

By Clyde Haberman
New York Times Service

JERUSALEM — Israel accused Syria on Sunday of supporting a new wave of guerrilla attacks on Israeli forces in southern Lebanon, and senior officials warned that they would not let the Middle East peace talks deter them from retaliating.

While the Israeli cabinet reportedly made no decision on military action at its weekly meeting Sunday, several ministers suggested that steps would be taken soon. According to news reports from Lebanon, Israel had moved extra artillery into southern Lebanon, and guerrillas there loyal to the pro-Iranian Hezbollah were bracing for bombardments.

"Anyone who thinks that we'll continue to put up with this quietly and say 'thank you' is simply wrong," said Housing Minister Benjamin Ben-Eliezer, a former general who is close to Prime Minister Yitzhak Rabin. "And anyone who thinks that there is some connection between this and the peace process is also wrong."

Although their northern border was quiet Sunday, Israelis have been jolted by a string of attacks late last week that killed five soldiers and wounded eight others in the self-declared "security zone" that Israel has maintained in southern Lebanon since 1985 to forestall attacks on its northern towns and settlements. They were part of a steady rise in Israeli casualties, with 12 soldiers having been killed thus far in 1993, compared with 13 for all of last year.

The assaults were said to be the work of guerrilla groups that either have leadership bases in Damascus or receive missiles and ammunition from Iran by way of Syria. The Party of God, which is fiercely opposed to the peace talks and committed to pushing the Israelis out of southern Lebanon, has also stepped up its rocket attacks on communities in northern Israel.

"This is certainly a planned escalation," said Uri Lubrani, Israel's

chief negotiator with Lebanon in the peace talks. "I think it is planned by Syria. This would not happen if Syria did not want it."

There was no Israeli threat of a possible break-off of peace talks with either Lebanon or Syria, which, like Israel, has sounded frustration over the recent absence of progress in that track of the negotiations. But by the same token, Israeli officials went out of their way to emphasize that they would not tie their generals' hands simply out of fear that strong retaliatory strikes might harm the very talks that the guerrillas hope to sabotage.

"The restraint and patience that we have manifested for many months now in the face of quite a number of provocations is reaching its limits," Mr. Lubrani said.

Saturday night, Mr. Rabin expressed his concern to Dennis Ross, a senior State Department official leading a United States team that has spent the last few days shuttling between Middle East capitals in an effort to keep the troubled peace negotiations on track. Mr. Rabin reportedly asked Mr. Ross, whose continuing journey took him to Damascus Sunday, to warn the Syrians to restrain the guerrillas and to block weapons transfers from Iran.

But Reuters reported that the Syrians had rejected Israel's accusations, saying on Radio Damascus that the Israeli buffer zone in southern Lebanon was an "explosive trap" and that it was "the right of any people whose land is occupied to resist by refusing this occupation, destroying and eliminating it."

Not surprisingly, Israeli officials gave no clue about what sort of military action they are considering, and when. Several ministers suggested that a massive land operation north of the security zone was not likely, but Mr. Lubrani hinted at possible tough measures, saying that Israel would need "a different approach to the one to which we were adhering for the last months."



ARMS AND THE MEN — UN peacekeepers, an American and a Pakistani, searching Somalis for weapons Sunday in Mogadishu as ongoing military anti-warlord action forced diversion of troops from escorting convoys to the interior and food supplies began to rot.

Japan's Hungry Socialists Shift to Right

By James Sterngold
New York Times Service

TOKYO — There was no better symbol of the remarkable speed of the political changes sweeping Japan than a scene in a hotel here late last month, when Sadao Yamahana, the chairman of the Social Democratic Party, welcomed not only his onetime foes from the right, but also their diplomatic and defense policies.

The deal, all but unthinkable a month ago, reversed decades of fierce resistance by the left to Japan's security treaty with the United States and even the existence of a Japanese military — policies that

in the eyes of many Japanese were what made the party socialist.

Although those policies were moderated in recent years, they have now been discarded in an effort to win a role for the Socialists in a coalition government if, as expected, the governing Liberal Democrats lose their majority after elections July 18.

The bulk of the party's members seemed to agree that the recent split in the Liberal Democratic Party, which threatens to topple it from power for the first time in 38 years, offered an opportunity that the Socialists could not let pass.

But a few days later, it was clear that not all Socialists shared this view and that the rift among the Liberal Democrats was spreading to Japan's largest opposition party. As some Socialists objected to the apparent abandonment of their long-held policies, Mr. Yamahana backpedaled.

"I have never thought the party would assume all the ruling party's policies," the Socialist leader said recently. He added that he had not agreed, as had been reported, that Tsutomu Hata, a Liberal Democrat defector and head of a conservative splinter party, would become prime minister if a coalition was formed between the Socialists and Mr. Hata's group.

Wataru Kubo, the Socialists' deputy chairman, further explained: "At first we have to adopt the existing government policies.

But that does not mean we'll maintain them. We would like to modify the policies gradually toward our target of pursuing a more peaceful world and demilitarization."

The Group of Seven summit meeting here last week came in the midst of the preparations for the elections, which were called after Prime Minister Kiichi Miyazawa lost a vote of confidence.

Now, campaigning is beginning in earnest and voters are examining not just what is separating the contending parties, but what is supposed to be holding some of them together.

If there is a difference between the dispute that shattered the Liberal Democrats and the one that is threatening the Socialists, it is that the governing party has been riven mostly by power plays and differences over tactics, while the Socialists have been divided in large measure by ideology.

If the Socialists cling to their traditional policies — a rejection of any use of nuclear power, a refusal to send Japanese soldiers overseas on UN peacekeeping missions, a continued ban on rice imports — many fear that the party will lose a golden chance to influence government policy. The party last took part in a government in 1948.

"We wonder if we can stick to those old views and take political power," Mr. Kubo said. "We have to be brave about adopting the changes taking place in this era."

But if the party continues its shift toward the center, it risks destroying the ideology that has held the Socialists together and, traditional party members contend, could leave the public without a truly leftist party to vote for.

"They are just mesmerized by the notion of power," complained Masao Kunihiro, a member of the Diet and a Social Democratic Party adviser. "But the grass roots of this party, in the provinces, are very upset by this behavior. There will be a price to pay for this."

But Akira Yamagishi, president of the Japanese Trade Union Federation, the Socialists' most powerful supporter, expressed nothing but impatience for such talk, which he suggested was naive.

"If a political party does not aim toward taking power, it is not really a political party," he snapped in an interview. "It's like a cat that can't catch mice, a canary that cannot sing."

He said that he, too, felt that the party would lose some of its members, but added that this might not be such a bad thing, because many potential defectors were out of touch with the post-Cold War reality.

The party, he said, already started to moderate its hard-line policies and shift toward the center before the Liberal Democrats started to self-destruct.

What, Again? Racist Voices Are Heard in Tokyo

By T. R. Reid
Washington Post Service

TOKYO — With a week of campaigning left before national elections, Japanese politicians over the weekend launched into a free-wheeling barrage of insults aimed at each other, the United States and Russia.

Press reports here said that Michio Watanabe, one of the most important members of the dominant Liberal Democratic Party, blasted social conditions in the United States during a political rally, citing the incidence of AIDS, drug abuse and street violence. In the United States, Mr. Watanabe

was quoted as saying: "They sell marijuana everywhere. There are many drug addicts. That's why impulse killings are many times the number in Japan. Policemen must shoot before they get killed themselves."

Mr. Watanabe, who was Japan's foreign minister, and thus chief diplomat, until this spring, caused an international flap some years back when he said that the United States had a high bankruptcy rate in part because blacks were allowed to use credit cards.

He apologized later for that remark. In his latest statements, he emphasized that he was only saying "what has been reported in the newspapers" about American life.

Another leader of the dominant party, Shinjuro Ishihara, a man of outspoken racial views, aimed his rhetorical fire across the Sea of Japan toward Russia.

Mr. Ishihara said his own party leader, Prime Minister Kiichi Miyazawa, was wrong to be polite last week to the Russian foreign minister, Andrei V. Kozirev, when the Russian came here for the Group of Seven summit talks.

"When a white man comes, Miyazawa just welcomes him too much," Mr. Ishihara said, according to press reports here.

Mr. Ishihara, one of three top officials of the ruling party designated to lead the current campaign, has written a book called "The Japan That Can Say No." In the

book, Mr. Ishihara aimed his fire at the United States and said Japan might start cooperating with the Soviets rather than the Americans.

But this weekend, Mr. Ishihara was harsh on Russia, according to the reports, harking back to World War II days and citing the more-recent charges that Russia has dumped nuclear waste in the Sea of Japan.

Last week's summit meeting just about disappeared from the news Sunday as Japan turned its attention to the election next Sunday.

"The summit's over! Now it's time for the election!" read the headline atop Sunday's Asahi Shimbun newspaper.

This is an electrifying election campaign because there is a very good chance that the Liberal Democratic Party will lose control of the government for the first time since it was formed in 1955.

Mr. Miyazawa himself cited the summit meeting while campaigning, however. In an apparent reference to the vague "framework" agreement that he signed with President Bill Clinton concerning U.S. Japan trade disputes, Mr. Miyazawa boasted, "I was able to negotiate with the president of the United States."

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STATESIDE / DOUBLE-DIPPING

POLITICAL VOICES

A Chicago Burglary With Echoes of Politics

CHICAGO—The Democrats suggested they might be the Republicans' next target. The Republicans dismissed it as a third-rate burglary.

Two decades after Watergate, the Democrats were victims of another burglary last week. And once again, they are not ruling out sinister partisan motivations.

The scene of the crime was Suite 431 of the *Stouffer Riviere* Hotel in Chicago, where the Democrats set up a temporary office one floor above the Republican National Committee's headquarters for its annual summer meeting.

The Democrats are here to shoot back at their opponents and keep tabs on the Republicans. But someone else, it seems, is spying on the Democrats.

Someone infiltrated the Democrats' suite during the night. Gone were several computer disks, strategy files, research notebooks and other confidential party materials.

Catherine Moore, the Democrats' spokeswoman, said the intruders even took a plastic sword that someone had given her before the Democrats held a news conference. On the sword, she said, was the message: "Although the pen is mightier than the sword, with the Republicans you can't take any chances."

Three days later, neither the Chicago police officers who dusted the suite for fingerprints nor the hotel security workers who changed the lock on the door were talking about suspects. The police report did not contain much more information, except that there was no sign of forced entry.

Ms. Moore, whose staff discovered the material missing and notified hotel security, declared, "I'm not going to go around pointing fingers."

Less cautious Democrats, walking a fine line between statesmanship and partisan gloom, opted for gloom.

"I would love as a partisan Democrat to say this is a typical Republican plot," said Senator Paul Simon of Illinois, who materialized at the scene of the crime for a quick news conference defending President Bill Clinton's economic proposals. "But I think the reality is that no responsible Republican would do something like this. I think someone who is very young and inexperienced in politics got overzealous and it could have happened to the Democratic Party as well as to the Republican Party." (NYT)

Right Prepares to Oppose Another Nominee

WASHINGTON—Another battle appears to be brewing over a top nominee of President Bill Clinton.

A number of conservative groups are mobilizing to block the president's choice for surgeon general, Dr. Jocelyn Elders, asserting that she wants to bring sex education to kindergartners. Her defenders contend that the religious right is trying to smear one of the most innovative thinkers on sexual responsibility for the young.

Dr. Elders, a pediatrician who was director of the Arkansas Health Department when Mr. Clinton was governor of that state, would succeed George Bush's appointee, Dr. Antonia C. Novello, as the Public Health Service official who serves as the president's top medical adviser.

Dr. Elders has a reputation for being an outspoken proponent of sex education and AIDS prevention programs among elementary-school children to promote better public health and to inhibit unwanted pregnancies.

Dr. Elders, who has been credited with upgrading programs on prenatal care and childhood immunization in Arkansas, also favors abortion rights and the distribution of Norplant, a surgically implanted birth control device, to prostitutes to prevent pregnancies.

White House officials say they are confident they have a comfortable margin of support for Dr. Elders on the Senate Labor and Human Resources Committee, which will hold hearings on her nomination on Friday. The committee has 10 Democratic members and seven Republicans, and none of the Democrats has shown any inclination yet to vote against her.

But, given the difficulties encountered last month with the failed nomination of Lani Guinier to head the Justice Department's civil rights division, the White House is not taking any chances. Officials there have spent this week lining up a broad range of endorsements for Dr. Elders, who would be the first female woman ever to serve as surgeon general. (NYT)

Quote/Unquote

Attorney General Janet Reno addressing the National Women's Political Caucus: "America would rather build prisons than invest in a child, and we've got to change that. Unless we invest in children, we will never have enough dollars to build all the prisons necessary to house people 15 and 20 years from now." (LAT)

Away From Politics

The winner of the richest lottery ticket in U.S. history is hiding on the west coast of Florida. Les Robins, a 30-year-old English teacher, said in a telephone interview, "The first two days we were probably more scared and intimidated than elated." Mr. Robins lives in Fond du Lac, Wisconsin, where he bought the winning ticket — worth \$110 million — that was drawn on Wednesday. He is paid \$30,000 a year teaching junior high school there and has 180 days to claim his prize. Only one ticket had the winning number combination.

The U.S. nuclear-powered submarine *Nebraska* joined the navy fleet during a commissioning ceremony at the Naval Undersea Warfare Center in Groton, Connecticut. The *Nebraska* is the 14th of 18 Trident nuclear-powered submarines to be built by the Electric Boat shipyard.

A Roman Catholic priest in Orange County, New York, pleaded guilty to taking at least 11 boys from his parishes in New Jersey and Cape Cod and engaging in a variety of sexual acts with them over the last 10 years. The plea by the Reverend Edward A. Pipala, 54, comes at a time when church leaders are seeking ways to deal with priests who have sexually abused children and teenagers. (NYT, AP)

Fat Is Beautiful? U.S. Ditches Diets for Calorie Bombs

By Jay Mathews
Washington Post Service

NEW YORK—A dollop of thick, caramel-colored "Cappuccino Comotion" ice cream crawled down the side of Julie Epstein's sugar cone until she scooped it up with her tongue. At the Haagen-Dasz outlet in midtown Manhattan's A&S Plaza, the 27-year-old New Yorker was savoring a dose of one of the most fat-laden desserts ever invented.

She is not alone. After years of warnings about the dangers of excess weight and fatty foods, some Americans show signs of sliding back into what many dietitians consider bad habits. Perhaps because of relaxed attitudes toward excess weight, craving brought on by diets or the stress of economic uncertainty, these consumers seem determined to enjoy the richest products of an endlessly inventive food industry, no matter what the consequences.

Haagen-Dasz's new Extrax line of ice cream, with 16 percent to 17 percent butterfat, has increased the company's market share by more than a third in less than a year. Flavors such as Triple Brownie Over-

load, Caramel Cone Explosion and Cookie Dough Dynamo are filling the stomachs of even health-conscious consumers.

Ben & Jerry's Homemade Inc., Haagen-Dasz's Vermont-based competitor, also is reporting that sales are more brisk for its 15 percent butterfat "super premium" ice creams, including Wavy Gravy and New York Super Fudge Chunk. And 100 of the 250 McDonald's restaurants in the Washington area are experimenting with the Mega Mac, a half-pound beef concoction that delivers more meat, cheese and sauce than ever before.

Diet experts said this may be only a temporary setback in what has been a fairly steady decline in American consumption of fat and cholesterol. Supermarket shelves are still full of low- and nonfat products. "It is evident there is a demand for them," said John Deckard, spokesman for Safeway Inc. stores in Washington. Karen Brown, vice president for communications at the Washington-based Food Marketing Institute, said there are some no-fat cookies "that they literally cannot keep on the shelves."

But industry surveys show the overall demand for diet products no longer climbing at its 1980s pace, and nutrition experts said there is reason for concern.

"My own view," said David Herbert, chief of the division of clinical nutrition at the University of California at Los Angeles, is that the ragged economy "has led people to go back to poor eating habits."

Average cholesterol levels have declined 4 percent in 12 years, with measurements too infrequent to catch any recent upturn. Annual per capita consumption of red meat, high in fat and cholesterol, dropped 20 pounds per person from 1970 to 1990, while consumption of chicken, considered healthier, increased by the same amount. Doctors noted that the lower cholesterol counts also could be affected by increased use of anti-cholesterol medicine and emphasized that most Americans are still subject to weight gain because they shun exercise.

John LaRosa, editor and publisher of the Diet Business Bulletin of Valley Stream, New York, said the economy has

braked the diet foods and services industry, which he estimated will grow only 3.5 percent this year, compared with double-digit growth in the mid-1980s.

"We used to have at least one major diet book on the hard-back best-seller list each year and we haven't seen that in three years now," he said.

Opinion polls indicate a significant change in national attitude about body type. A survey by the NPD Group, a market research company in Port Washington, New York, reveals a steady decline in the portion of Americans who say overweight people are unattractive — from 55 percent in 1985 to 36 percent last year.

The National Association to Aid Fat Americans, an organized foe of the old American obsession with fat and dieting, became so encouraged by the attitude change that it altered its name to the National Association to Advance Fat Acceptance.

"This has all the earmarks of a consistent trend," said Harry Balzer, a vice president of the NPD Group, who has monitored the relating attitude toward fat.

Louis Harris & Associates released a report on American health for the health care products giant Baxter International Inc. earlier this year.

"When it comes to voluntary health habits," a Baxter International statement said, "the nation is at best holding the line, and at worst slipping from gains made in the early- to mid-1980s."

In the Harris survey, 66 percent of 1,251 Americans sampled said they were overweight in 1992, up from 58 percent in 1983. Forty-four percent said they tried hard to avoid cholesterol and 51 percent tried hard to avoid fat — both percentages down six points from 1991. Only 33 percent reported getting strenuous exercise at least three times a week, a drop of four percentage points from 1991.

Mr. Balzer said the possible change in American attitudes, like many other late-20th-century trends, may be tied to the aging of the post-War II baby boom generation. "Every one of them is aging and nearly every one of them is putting on weight and each is discovering that putting on weight is not such a big deal," he said.



A volunteer on a sandbag dike in West Des Moines Iowa, rescuing a dog that had been caught in floodwaters of the Raccoon River.

No Sign of Letup to Flood's Onslaught

By Dirk Johnson
New York Times Service

ST. LOUIS, Missouri — Floods are by far America's most common natural disaster, but the tide rising in the Midwest is no common flood.

In a slow, relentless onslaught, it has breached levees, washed out highways and railroads, flowed over farms and towns, and strained the vast water-control system for the Mississippi River watershed that U.S. government engineers have spent more than three generations planning and building.

The director of the National Weather Service, Elbert Joe Friday Jr., said Sunday that the flooding in the Mississippi Valley was the most serious since record-keeping was begun about 150 years ago.

And there was no relief in sight. More torrential rains were predicted for the next few days upstream from the hardest-hit areas, the southeastern quarter of Iowa and the northeastern quarter of Missouri.

Even when the rain lets up, Mr. Friday said, the problem worsens.

"We're going to see the aftermath of the flood situation, and there's a possibility that flooding on the main rivers may go on into as late as mid- to late August," he said.

While the Midwest was being drenched, a heat wave was stalled over much the East Coast, breaking temperature records in several cities, posing health threats and adding to

already considerable strains on the police, emergency services and utilities.

At least 30 deaths have been attributed to the persisting temperatures of over 100 degrees Fahrenheit (38 centigrade).

Seventeen of the deaths were recorded in Philadelphia, where the health commissioner, Robert Ross, said most of the victims were old people who lived alone in upper-floor apartments without air conditioning.

In Missouri, Louis Chiodino, a spokesman for the Corps of Engineers, which is responsible for flood control, said: "We really don't know what's going to happen. Nobody has ever seen anything like this before."

Seventeen people have died in the floods and thousands have been evacuated, while property damage has already exceeded \$1 billion in addition to damage to crops worth tens of millions.

Telephone lines in some remote places have been cut and bridges washed out. And hot weather has complicated the problems, causing some emergency workers to collapse from heat exhaustion.

A swollen tributary of the Mississippi River flooded the Des Moines, Iowa, water treatment plant early Sunday, leaving about 250,000 people in central Iowa without safe drinking water.

Floods account for 90 percent of all presidential disaster declarations, and President Bill Clinton made such declarations on Saturday for Illinois, Iowa, and Missouri. Requests for the declarations for the flood are also expected from Minnesota, South Dakota, and Wisconsin.

The designation is needed for areas to qualify for special grants and loans.

Problems in the flooded regions are being compounded by sightseers, several officials said. In some cases onlookers have been getting in the way of emergency workers.

There was much to see. The Mississippi River is flooding from east-central Iowa to well below its confluence with the Missouri River at St. Louis. The Missouri is flooding from above Kansas City all the way across its east-west stretch, the width of Missouri.

In St. Louis, the Mississippi's flood is expected to crest at 45 feet (14 meters) on Wednesday, nearly two feet higher than the worst previous flood, in 1973. But the danger to the city is limited because it is protected by flood walls designed for levels of 52 feet, far higher than anything now predicted.

From an airplane on Saturday, the farm fields along the river valleys were dotted with huge pools, some interlocking, like lakes in the countryside, interspersed with thick woods and bright patches of green, a striking contrast of beauty and serenity that contrasted with the havoc the water was causing on the ground.

Mowed into the tall hay of a field near Clarksville, Missouri, were the letters "HELP."

The Mississippi river at Hannibal, Missouri, was expected to crest at 32 feet on Monday, double the flood stage.

To the north in Iowa, the Raccoon River was rising fast and officials began evacuating hundreds of residents from West Des Moines.

Fred E. Weick, Pioneer In Plane Design, Dies

New York Times Service

Fred E. Weick, who was inspired by the boyhood sight of an early airplane and became a pioneering aviation engineer and designer, died Thursday at a hospital in Vero Beach, Florida, where he lived. He was 93.

The cause was heart disease, his family said.

The National Aeronautics and Space Administration said Mr. Weick's "genius touched virtually every aeronautical discipline."

His career was devoted to making planes more aerodynamically efficient, safer and easier to fly, thus fostering wider use. Although he focused on small planes, his advances were adapted to larger aircraft.

A major innovation was his stable, tricycle-like landing gear, with one set of landing wheels under the airplane's nose and two sets spread out farther back. That became standard for virtually all aircraft, including the space shuttle.

Like many of his ideas, that concept ran counter to conventional wisdom. Older designs placed two sets of wheels in front, one under each wing, with the third wheel, any trouble on the front wheels could cause the plane to go out of control. By putting the single wheel in front, he avoided that hazard.

Will Rogers Jr. Is Dead At 81, an Apparent Suicide

TUBAC, Arizona (UPI)—Will Rogers Jr., the politician and actor who closely resembled his famed

humorist father, apparently shot and killed himself on a desert road near his Arizona home, authorities said Saturday. He was 81.

Mr. Rogers' body was found Friday at the side of a road near Tubac, about 40 miles (64 kilometers) south of Tucson. The former actor, congressman, and international correspondent apparently died of a self-inflicted gunshot wound to the head, officials said. A note left in Mr. Rogers' car nearby indicated he meant to kill himself.

Mr. Rogers was elected to the U.S. House of Representatives in 1942 from California. He resigned in 1944 to join the army, where he rose to a first lieutenant in the 7th Armored Division.

Masuji Itoke, 95, the Japanese writer best remembered for his 1966 novel about Hiroshima and the atomic bombing, "Black Rain," died Saturday in Tokyo of pneumonia.

Henry Hazlitt, 98, a self-taught economist who popularized the subject as a journalist and wrote a best-selling book about it, "Economics in One Lesson," died on Friday at a convalescent hospital in Fairfield, Connecticut.

Guy Emerson Nyren, 79, an economist who directed research and analyzed trends for the Federal Reserve Board and later for the Morgan Guaranty Trust Co., died on Sunday at the Naples Community Hospital, in Naples, Florida, of what a family member described as a massive infection.

AMERICAN TOPICS

Stockdale Revisiting Vietnam To Lecture on Tonkin Gulf

James B. Stockdale, a retired admiral who ran for vice president last year on Ross Perot's ticket, will visit Vietnam in January for the first time since he was released from a Hanoi prison 20 years ago. His trip is sponsored by Stanford University where he is a fellow at the Hoover Institution on War, Revolution and Peace.

Admiral Stockdale said he will lecture primarily about the purported Gulf of Tonkin attack Aug. 4, 1964, which was used by President Lyndon Johnson to bring the United States into the Vietnam War. As a navy pilot, Admiral Stockdale witnessed what happened that day and reported to his superiors that there was no attack on a U.S. vessel and no sign of enemy boats.

A day later, he led the attack that dropped the first U.S. bombs on Vietnam. He was shot down over Vietnam the following year. "It was an extra load to carry in prison," he said.

About People

General Colin Powell, who retires Sept. 30 as chairman of the U.S. Joint Chiefs of Staff, has been lined up by the Washington Speakers Bureau to go on the lecture circuit at \$60,000 per appearance. The Washington Post reports. Other bureau speakers include Ronald Reagan and Lee Iacocca.

During a recent losing streak by baseball's Detroit Tigers, their manager, Sparky Anderson, remarked, "Nobody likes to lose. But my Lord, you can't let your life revolve around whether you win or lose. You always must remember what's important — baseball's not important, life is. Baseball is nothing more than show business. It's not reality."

Bill Clinton likes to take a half-hour nap in mid-afternoon, according to U.S. News & World Report. The magazine recalled other presidents who liked to take 40 winks, including Calvin Coolidge, John F. Kennedy, Lyndon Johnson and Ronald Reagan, who once joked that he had ordered his staff to wake him immediately whenever "anything important happens anywhere in the world — even if I'm in the middle of a cabinet meeting."

Arthur Higbee

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Tuesday STYLE	Thursday HEALTH/SCIENCE	Saturday-Sunday ART/ THE MONEY REPORT	BUSINESS AND FINANCE	FOOD AND FASHION	BRIDGE AND CHESS	
			OPINION AND COMMENTARY	FILM AND THEATER	THE NEW YORK TIMES CROSSWORD	PULITZER PRIZE WINNING FEATURE COLUMNISTS

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Thai's new Frequent Flyer Programme in Full Bloom.

Thai Airways International is launching a new, exclusive Frequent Flyer Programme Royal Orchid Plus.

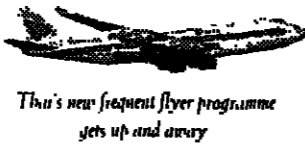
Aimed at capturing the important business traveller market, Royal Orchid Plus marks the most exciting new initiative from Thai since its merger with the domestic airline TAC in 1987.

Since their introduction in North America over ten years ago, frequent flyer programmes have made an extraordinary impact on airline travel around the world. And there's plenty of proof that these programmes are an important factor in the way travellers – particularly business travellers – select an airline.

Recent research from the United States indicates that business travellers currently make up 34% of all adults who fly.

They account for 48% of trips taken and generate 70% of passenger revenue.

Thai aims to capitalise on its long held tradition of quality service in order to attract these all-important business travellers to its Royal Orchid Plus programme and is offering many tempting bonuses to passengers enrolling before September 30th, 1993.



Thai's new frequent flyer programme gets up and away

President welcomes challenge and a return to 'core values'



Thai President Chuan, Isa Burva-Ananta welcomes the opportunity to re-focus on core values.

Thai Airways International President Chattrachai Bunva-Ananta sees the airline's new Royal Orchid Plus Programme as a perfect vehicle to refocus the airline's energies on its core values.

"These are challenging and exciting times for the aviation industry," he notes adding that

"Royal Orchid Plus focuses on Thai's strengths – the long record of exemplary service coupled with Thai values that have long set Thai apart from other carriers."

With the introduction of its own, exclusive frequent flyer programme, Thai has taken the decision to remain independent rather than join an Asian carrier programme.

"High standards determine the success of a frequent flyer programme," says Chattrachai. "Thai has built its reputation on its smooth as silk service and unique Thai values," he says, adding that "the proven ability of our staff to consistently deliver a high standard product was a key element in management's decision to establish our own exclusive frequent flyer programme."

"By maintaining our independence we retain authority over the ongoing development

of our programme.

We will be able to expand its benefits and privileges, shaping them to meet the needs of our loyal customers, rather than those of passengers flying with several competitive carriers."

Thai's management believes its decision in favour of preserving the carrier's uniqueness will be vindicated by improvements in customer service and bottom line performance.

"In other words," says Chattrachai, "we believe Royal Orchid Plus will allow us to build on our good image and improve our competitiveness both regionally and globally."

This is an important consideration given that Asia and the Pacific – where Thai Airways International has a geographical route advantage – will lead aviation growth over the coming decade."

THE PROGRAMME WITH ALL THE PLUSES.

Royal Orchid Plus was developed after a detailed study of frequent flyer programmes around the world.

The "Plus" in the name refers to the many exclusive benefits which will be enjoyed by the programme's members.

Royal Orchid Plus stands apart from programmes offered by many of its competitors by giving mileage

ROYAL ORCHID



Plus

credits to all categories of passenger – including Economy.

This is an important advantage because many other frequent flyer programmes restrict their privileges to business and first class passengers.

Also, unlike some other programmes membership of Royal Orchid Plus is free.

Full membership is triggered with the accumulation of 12,500 miles and awards can start being claimed after a member has clocked up just 15,000 miles.

The more miles a member flies using Thai, the more free travel they will earn.

On a full Economy or domestic Thailand ticket for instance, passengers earn the actual miles they fly or a 500 mile minimum. Business Class passengers receive an extra 25% on top of their mileage while First Class passengers receive a 50% bonus on mileage. Even excursion or published discount fare tickets earn 70% of miles flown.

Members can also earn extra miles by using Thai's travel industry partners including certain hotels, car hire services and credit card companies.

Other significant privileges for members include preferred seating and extra baggage allowances, with increasing privileges as passengers attain Gold and Diamond Card levels in the programme.



Smooth as silk service: the age-old secret of Thai's success.

SMOOTH AS SILK SERVICE WOOS THE FREQUENT FLYER.

Thai's service know-how is set to give Thai's frequent flyer programme the edge over its competitors.

An intense period of training for all Thai staff supports the launch of Royal Orchid Plus.

The importance of providing first class service for all categories of passengers has long been a feature of Thai's operation. With the introduction of Royal Orchid Plus, every Thai staff member from booking clerks to ground staff to baggage handlers and inflight

personnel has been thoroughly briefed on the need to maintain and even "lift their service game" to ensure the programme's success.

Everyone at Thai recognises the importance of winning early commitment to Royal Orchid Plus. Some exceptional bonus offers will certainly swing the balance in Thai's favour during the launch phase. But in the long run, Thai is determined to win the hearts and minds of frequent flyers with its unique smooth as silk service values.

SPECIAL BONUSES FOR EARLY ENROLMENT.

All Royal Orchid Plus members enrolling before September 30th, 1993 will be rewarded by having their first award doubled.

It means that whichever Thai air travel award they choose first, they'll receive a second companion ticket for the same flights absolutely free.

As a further incentive to encourage early enrolment, and to really get members' mileage off to a flying start, Thai is giving a 2,500 mile first flight bonus.

Plus! Business Class and First Class passengers will literally see double on

certain Thai air routes until September 30th, 1993.

They'll earn double miles on Business Class or First Class flights in either direction between Bangkok and Europe or Australasia including an international connecting flight sector between Bangkok and any city in Asia. Plus any flight between Bangkok or Seoul or Tokyo and Los Angeles.

Special Experience Awards designed to tempt even the most jaded traveller.



All sorts of adventures are in store with Royal Orchid Plus Special Experience Awards.

As an alternative to free travel Thai have hit upon the idea of offering Royal Orchid Plus members a whole range of what will be known as "special experience" awards.

"Special experience" awards include leisure holidays in exotic locations.

Or for the more adventurous – a trek through the unspoiled rainforest of northern Thailand atop an elephant. Alternatively, members with enough miles under their belt can smooth the rough spots out of their game with special lessons at a prestigious golf school.



A WHOLE NEW DEAL FOR THE FREQUENT FLYER.

Part of the appeal of Royal Orchid Plus is its simplicity.

Members will automatically have their mileage credited to them from the moment they join the programme.

Passengers who join Royal Orchid Plus

while travelling aboard a Thai flight can also claim credits for that flight by forwarding their boarding pass and a photocopy of their ticket.

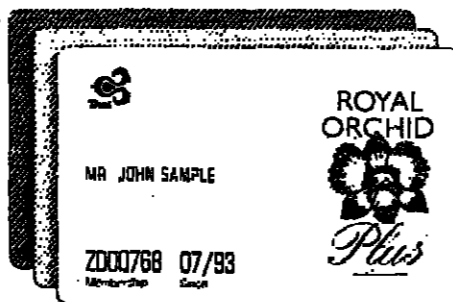
Award travel bookings can be made over the phone and because the system works just

like a bank's automatic ledger there's a minimum of paperwork.

This allows passengers to enjoy all the membership privileges without having to worry about keeping track of their mileage awards, or collecting certificates for future use.

There's Gold and Diamonds in Thai's skies.

As well as regular membership, Thai will in future be adding two additional member-



ship levels to Royal Orchid Plus – Gold and Diamond Membership.

These will offer additional benefits and privileges to these particularly important members as they accrue sufficient miles to reach these higher levels.

The more you fly Thai, the more precious membership becomes.

This advertisement was produced in its entirety by Magnus, Nankervis & Curl on behalf of Thai Airways International.

MNCA/THA2461

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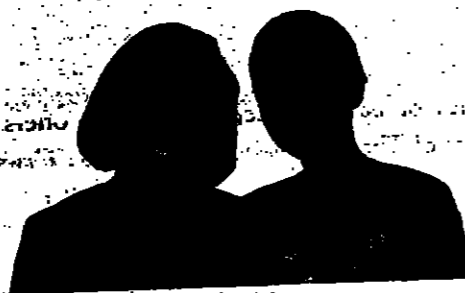
Introducing Royal Orchid Plus.

Only Thai offers you a Frequent Flyer Programme with so many pluses.

EXCLUSIVE BENEFITS. UNIQUELY THAI.

Royal Orchid Plus is everything you would expect from a frequent flyer programme, and more. Created by the airline that turned service into an art form, Thai's Royal Orchid Plus offers you an unprecedented combination of free travel, privileges and other awards to tempt the most frequent flyer.

No matter which class of travel you choose, you'll be rewarded when you fly with Thai.



On a full Economy ticket you'll earn the actual miles you fly or a minimum of 500 miles. Travel Business or First Class and your discerning taste will earn you a bonus of 25% and 50% respectively. Even an excursion or published discount fare ticket earns you 70% of actual mileage flown.

Plus

SPECIALLY SELECTED EXPERIENCE AWARDS.

As an alternative to free travel, you can also make a selection from our Royal Orchid Plus experience awards.

These exclusive leisure, challenge and cultural awards will tempt even the most jaded traveller.



Imagine yourself, for example, touring the wilds of the Burmese border atop an elephant or smoothing the rough spots out of your game with special lessons at a prestigious golf school.

Plus

SPECIAL FREQUENT FLYER PRIVILEGES.

Even before you attain full Royal Orchid Plus membership at 12,500 miles, your privileges begin.

For instance, once we receive your enrolment

details you'll enjoy special attention to any seating and meal preferences whenever you fly with Thai. On the ground, you'll receive regular statements showing the growth in your mileage account and regular updates on bonus offers.

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**ENROL NOW
AND TRIPLE THE PLUS.**

Get your mileage off to a flying start in more ways than one.

1. First, we'll reward your early enrolment by doubling your first award. Enrol before September 30, 1993 and whichever Thai air travel award you choose, you'll receive a companion ticket for the same flights absolutely free.

2. We'll make it as easy as possible for you to get there, with a bonus 2,500 miles the first time you fly Thai after enrolling.

3. Plus, you'll literally see double on certain Thai routes until September 30, 1993. You'll earn double miles on Business or First Class flights in either direction between Bangkok and Europe or Australasia, including an international connecting flight sector between Bangkok and any city in Asia. Plus any flight between Bangkok or Seoul or Tokyo and Los Angeles.

Plus

SPECIAL STATUS FOR HIGH FLYERS.

With full membership, you'll receive even more privileges, like priority waitlisting and baggage handling plus an additional 10kg baggage allowance on Thai flights. And, as you reach new heights and attain Royal Orchid Plus Gold and finally Diamond membership, you'll be rewarded with additional privileges including separate check-in facilities and special lounge access.

ENROL NOW. MEMBERSHIP IS FREE.

For an enrolment form, complete the coupon and mail or fax it to Thai. Or, you can pick one up at your nearest Thai office. With your form, you'll also get a Temporary Membership Card and your unique membership number. Just quote this number whenever you book with Thai and your miles will be automatically recorded when you fly.

Please retain your tickets and boarding passes in case validation is required.

Enrol now. The sooner you do, the sooner you could be en route to your own dream destination.

Royal Orchid Plus from Thai. The frequent flyer programme that's smooth as silk.

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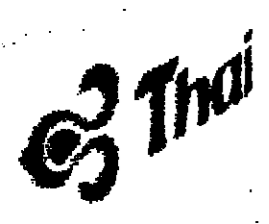
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Restoring Jewish Cemetery, Germans Try to Come to Terms With the Past

By Marc Fisher
WASHINGTON Post Service
SZPROTAWA, Poland — Her hands were rubbed raw from digging, her cheeks reddened by the wind. In the dirt, two feet below the surface, Nadja Maerz found stones of the past. The letters were Hebrew on one side of the broken stones, German on the other.

from Zery, the nearest town where any Jew survive, step off a bus and walk through the woods, into the Szprotawa cemetery. "I found a gravestone with a number on it, 5608," Nadja excitedly tells him. "What does that mean? Is it a code?"

Mr. Kaifer came because he was invited and because the German organizers said they wanted to restore the long-forgotten, overgrown graveyard. "About 200 people from my family were killed," he says. "My mother, all eight siblings, my wife, my child. I went to war, came back and my child was gone. It is as if it were never here."

That night, they sit in a circle in a dark room at Szprotawa's rundown orphanage, 28 Germans of all ages and four old Jews. "We're trying to be factual and clear in our meeting with the past," says Wolfgang Eriker, a museum archivist in Berlin who has brought his wife and children for the week. "We want to learn about you and tell you who we are."

German government agency sent these do-gooders here. None, came the answer. "It's too abstract for them," Mr. Eriker says. The session begins with an awkward silence. The Germans ask the Jews to introduce themselves, and Mr. Kaifer tells a bit of his story. He puts the best face on Zery's Jewish population of "almost 100," speaking optimistically about the community's "young" people, who turn out to be those under 70.

When she was younger, she used to pump her parents for details of what they knew in the Nazi years. "You must have known something about Kristallnacht," the November 1938 night when Germans destroyed Jewish shops, homes and synagogues, she told them. "They say no, they knew nothing, but I know there was a synagogue in their village. My father's 85. He never talks about the war. He only answers questions."

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Cyclist in Coma After Neo-Nazi Assault
Yeltsin Vows To Honor Pullout Date
By Alan Truscott
A young cyclist lay in a coma on Sunday, his skull fractured by neo-Nazi extremists who kicked and clubbed him in an unprovoked attack in a small East German town, the police said.

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SEX CRIMES
By Alice Vachas, 284 pages, \$21.
Random House.
Reviewed by Edna Buchanan
ALICE Vachas likens her courtroom battles to boxing matches. The analogy is appropriate. With this book she has scored a knockout.

BRIDGE
West would have alarmed South if he had led a spade, removing a crucial entry from the dummy, but luck would have favored her: It was possible to make five trump tricks, six club tricks by finessing, and two aces, though risking a heavy defeat.

BOOKS
WHAT THEY'RE READING
Andy Hampsten, the star American climber in the Tour de France, is reading F.A. Worsley's "Shackleton's Boat Journey," an account of the 1914-16 Antarctic shipwreck after which 28 men drifted five months on an ice floe.

Herald Tribune
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INTERNATIONAL RECRUITMENT
You will find below a listing of job positions published last Thursday in the International Herald Tribune under the International Recruitment Feature.
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SECRETARY GENERAL/London The Uranium Institute
REPRESENTATIVE/Singapore German Manufacturer
SALES MANAGER/Europe A Luxury Knitwear Company

Claim to Sevastopol Debated in Russia

MOSCOW — The Russian Foreign Ministry said Sunday that the claim by the Ukrainian parliament on Friday to the Ukrainian Black Sea port of Sevastopol...
This emotional and declarative action does not point the way to real solutions...
President Boris N. Yeltsin said Saturday that he was 'ashamed' of the Supreme Soviet for having laid claim to the naval port of Sevastopol.

State Dinner in Seoul: A Maladroit Clinton

SEOUL — President Bill Clinton made a few protocol missteps at a state dinner in South Korea...
Mr. Clinton embarrassed Korean officials, confused his translator, baffled some dinner guests and delayed the dinner briefly...
The problems may have started at a news conference with Mr. Kim earlier in the day...

KOREA: Clinton Warns the North

Continued from Page 1
against an invasion from the North...
Mr. Clinton said that he thought that 'anyone who sees this would understand' how important it is for the United States to insist on North Korea staying in the Nuclear Nonproliferation Treaty...

IRAQ: Thwarted Inspectors Leave

Continued from Page 1
ensure they would not be used for testing missiles...
Iraq objected, saying that as it has not yet accepted the long-term industrial monitoring program approved by the Security Council...

KOREA: Clinton Warns the North

Continued from Page 1
against an invasion from the North...
Mr. Clinton said that he thought that 'anyone who sees this would understand' how important it is for the United States to insist on North Korea staying in the Nuclear Nonproliferation Treaty...



A U.S. Ranger trooper uncoiling protective razor wire around a compound in Skopje, Macedonia, in preparation for the arrival of about 300 U.S. soldiers scheduled for July 12 on UN peacekeeping duty.

General's Parting Shot on Partition

SARAJEVO, Bosnia-Herzegovina — General Philippe Morillon of France, the departing commander of United Nations forces in Bosnia...
The general has spent the past 16 months in the former Yugoslavia, and the last eight months as the commander of the UN Protection Force in Bosnia...

REFUGEE: World on Move Fleeting Poverty and War

Continued from Page 1
and East German towns upstream...
At the same time, the once-prosperous, placidly stable Western Europe these immigrants desperately seek is rapidly changing...
Now, just at the moment when the millions clamoring to enter those open doors have a chance to come, a virulent form of nationalism is gaining in Germany...

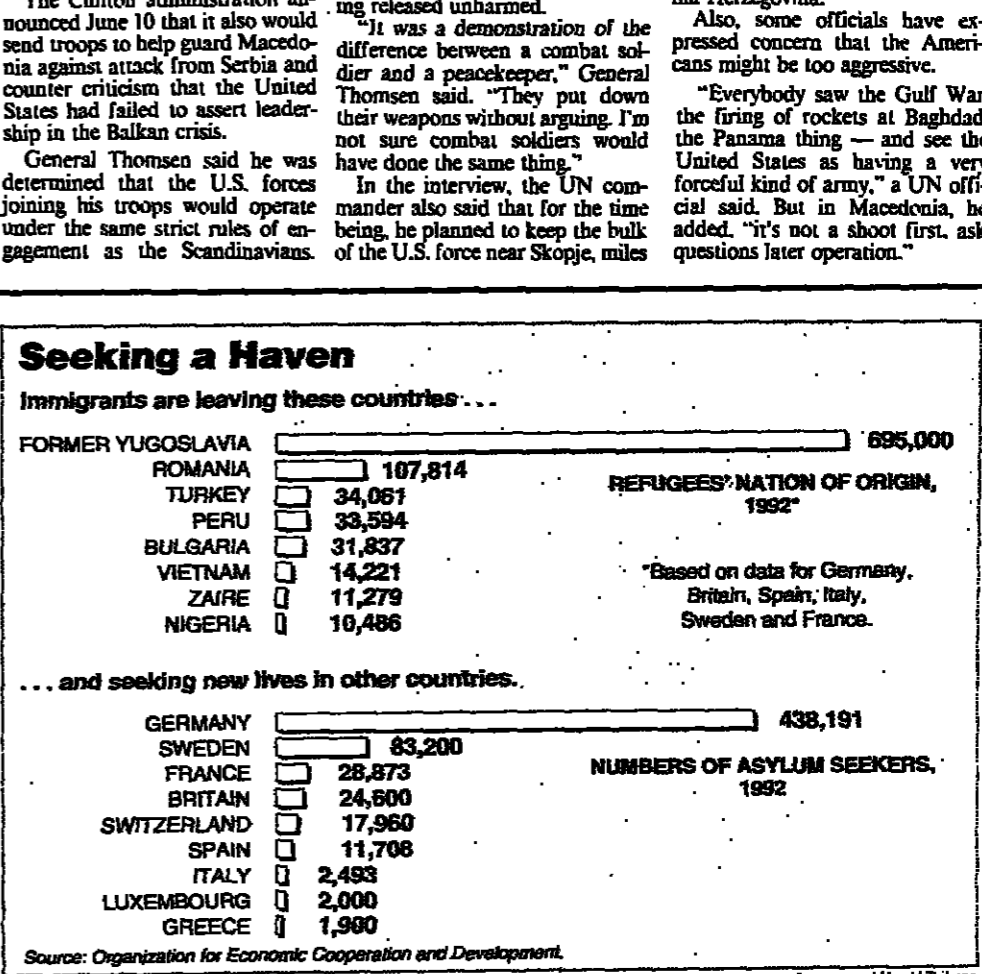
Bosnia Muslims Get Warning That the UN Might Withdraw

By Elaine Sciolino
WASHINGTON — As the humanitarian crisis in Bosnia worsens, two classified administration reports say the international mediators in the Balkans are holding out the threat of seeking UN withdrawal from the country unless the Bosnian Muslims agree to negotiate on a partition plan...
The cable added, 'If the UN decided to withdraw from Bosnia, the UNHCR would be part of that withdrawal...'

Rocky U.S. Start in Macedonia

By Steve Vogel
WASHINGTON Post Service
SKOPJE, Macedonia — As the first 300 American soldiers began trickling into Macedonia to join the United Nations peacekeeping force here, the commander of the UN troops said the U.S. contingent must undergo several weeks of peacekeeping training before being allowed to go out on patrol...
'I'm not going to lose one single life because somebody wants to be a hero,' said Brigadier General Finn Saermark Thomsen...

Seeking a Haven



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OPINION

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

What the Group Achieved

Breaking all recent precedents, the annual economic summit meeting of the Group of Seven actually accomplished something useful. Over the past couple of years there had been rising anxiety throughout the democracies that, with the end of the Cold War, the old alliances and mechanisms for managing the world's economy were falling apart.

For a Ban on Plutonium

It takes only 11 pounds (5 kilograms) of plutonium or 33 pounds of highly enriched uranium to make an atomic bomb. In trying to stop the spread of nuclear arms, the United States has tried hard to keep plutonium and uranium out of the hands of would-be bomb-makers.

In the Middle, a Budget

Anti-tax rhetoric poses a threat to common sense when congressional conferees meet this week in Washington to begin the task of reconciling the House and Senate budget bills. Each bill would trim about \$500 billion from projected deficits over the next five years primarily by cutting defense spending and raising taxes on families with taxable income over \$100,000.

Bring Down These New Bastille Walls

By John Vinocur

PARIS — When the armor clanks and the cymbals crash and the Republic beats its drum marching down the Champs-Élysées on the 14th of July, who still turns his head to listen to France?

That country on parade, a grand, mythical place of ideals and ambition, has almost lost its audience. When the fanfare stops and the buglers return to barracks, the real national sound-bite these days would be the screech of steel shutters being pulled down around the nation as if it were a single storefront.

The myth is of a confident culture that gets richer because the world can reach for it and accept its embrace. If France spoils this, it lives with fear and ordinariness.

Government officials try to rationalize and intellectualize protectionism into a noble creed, and the National Assembly debates passages in a restrictive immigration bill turning on the racial, or nonracial, criteria the police will use for identity checks in the streets.

A 'Floating' Islamic Army Is Haunting Its Creators

By Jim Hoagland

WASHINGTON — The image of Frankenstein's monster lurking in the shadows corresponds to something we know from our own lives: We often create our worst demons out of our own misguided intentions and habits.

A skein of such unintended consequences seems to run through the case of Sheikh Omar Abdel Rahman, the Egyptian cleric now in federal prison in upstate New York.

The sheikh's exact role — if any — in terrorist attacks in Egypt or in bombing plots in New York is still to be determined by law enforcement officials in both countries. But the powerful international political symbols and forces that mark his case are already clear.

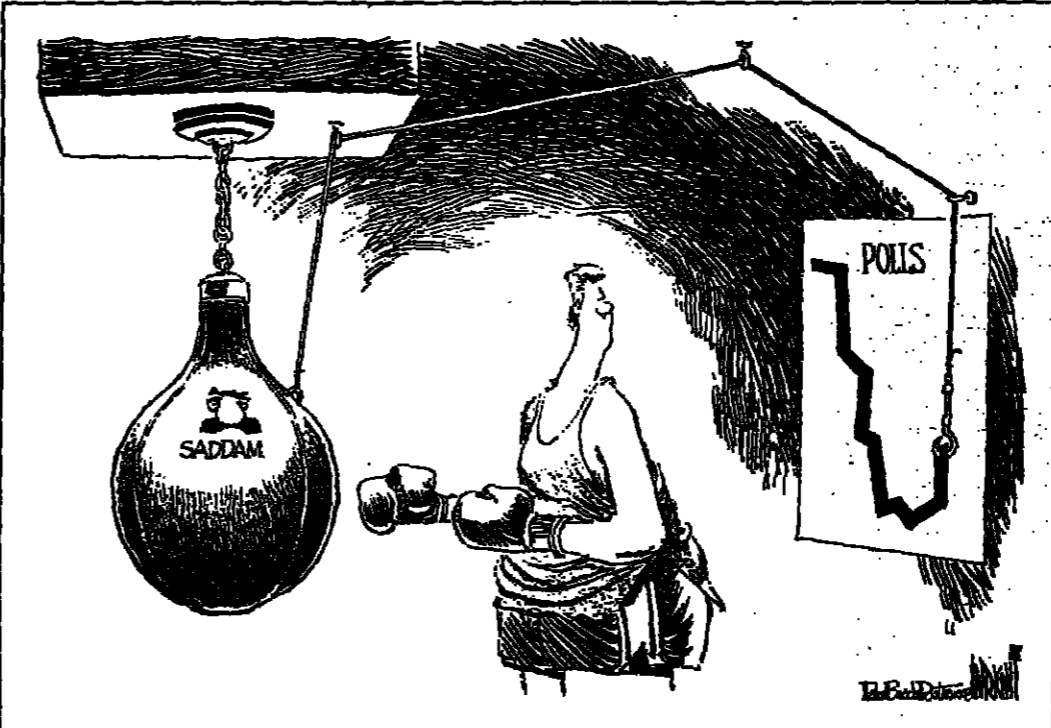
Fifty years ago George Orwell, after seeing Senegalese soldiers mobilized for World War II on the march, wondered in an essay how long it would be before colonial subjects turned their guns on the colonialists and demanded freedom.

Egyptians are even more openly resentful of the American role in giving aid and comfort to Islamic fundamentalists as part of the strategy developed by Ronald Reagan and William J. Casey to bleed the Soviets in Afghanistan.

Candidates range from Colonel Moammar Gadhafi of Libya and King Hussein of Jordan to still unknown but more "moderate" Muslims who presumably would hold the line against anti-Western radicals like Sheikh Abdel Rahman.

The Clinton administration's policy must be not only to allow but actively encourage Islamists to come to power by democratic means and to experiment with ways that blend political pluralism and Islam.

Such ideas understandably frighten the daylight sons of President Hosni Mubarak of Egypt and other Arab leaders faced with armed rebellion by fundamentalists. This approach implies that the traditional secular Arab governments are now over the hill and that America should play an active role in consigning them to history's junkyard.



Crushed Between Two Worlds: Death of an Artist

By Milton Viorst

WASHINGTON — During the American attack on Baghdad on June 26, Layla Attar, a celebrated Iraqi painter, and her husband were killed by a stray rocket that struck their temporary residence.

Their previous home had been demolished in the U.S. bombing of Jan. 17, 1991, and was being rebuilt. A report from Baghdad indicated that the couple went outdoors when they heard the first sounds of the attack and were crushed by a falling concrete wall.

A housekeeper was also killed. Two of their children were seriously injured, and one later died.

I once knew Mrs. Attar. It was for a brief moment, during a visit I made to Iraq for The New Yorker in 1987. I would not normally claim to know someone whom I interviewed for an article, but she made a deep impression on me.

Small, in her mid-40s, she had chestnut hair hanging in a pony tail. She wore a flowing lavender jacket, matching brown pants and high-heeled sandals. Her eyes peered out from beneath heavy makeup and long lashes.

long lashes. I thought they concealed a sadness, a clue to which seemed present in her haunting paintings.

The paintings captured me before I ever met her. They were being shown at the Saddam Art Center, a newly built state gallery of which Mrs. Attar was the director.

Saddam Hussein, proud of the gallery, had proclaimed that "a modern nation that cannot develop great poets and artists will not be able to develop great political leaders."

Eight stories high and walled in glass, the gallery, flush with sunlight, embraced a garden of contemporary sculpture. Mrs. Attar's work was part of a show named for al-Wasiti, an artistic genius of the era when Baghdad ruled over a great empire.

I remember being powerfully drawn to a painting of a long-haired nude poignantly lost in a grove of leafless trees, sparsely rendered in black and white. It seemed so delicate, yet so defiant of a culture that subjugated its women. It was titled "Alienation."

Mrs. Attar told me that the painting was one of a series portraying women's loneliness. Her mother, she said, had been a painter who had studied in Beirut; her sister was a full-time painter in London. She herself learned to paint in Baghdad; her studio was behind her house.

Later she took me to a room where a dozen of her paintings hung, all in fragile shades of black and white, each of a nude woman whose back was turned, semi-concealed in enveloping foliage.

When I asked whether her works were Arabic, she replied enigmatically, "They are not Islamic."

They are not Islamic. Mrs. Attar was less reticent about Iraqi artists. After Baghdad's fall to the Mongols in the 13th century, she said, Iraq produced no art, save Koranic calligraphy. Only in the 1930s were Iraqi artists introduced to European ideas, and a talented vanguard produced competent work in Impressionist and Cubist styles.

Many of these paintings now hang in an ancient house, lovingly restored as a museum, in Old Baghdad, but recent generations have been striking out in search of an authentic Iraqi style. Mrs. Attar said, wanted to be a recognized member of the cultural world.

By disseminating knowledge of its art she hoped to make her gallery a regular stop for international tours of the great masterpieces.

But Layla Attar's hopes were never realized. Saddam Hussein, so avid to be known as a patron of culture, achieved global fame instead as an outlaw and made Iraq a pariah among countries.

Mrs. Attar, Iraqis told me, had survived his despotism by being scrupulously nonpolitical.

Neither she nor her husband, a factory owner, ever joined the Ba'ath Party. Their circle was made up of artists, writers and musicians. Saddam indulged such people in the belief that they would bring him international approval and personal legitimacy.

But the thing in him prevailed, crushing what Layla Attar represented of Iraq's future.

A stray U.S. rocket did the rest.

The writer is author of the forthcoming "Saddam: The Arabs in Search of the Modern World." He contributed this column to The New York Times.

Perhaps the country has grown terribly used to its ordinariness since the fall of the Berlin Wall and the end of its role as Germany's political chaperon in Europe. The world paid no attention to President François Mitterrand's calls for a European confederation, and his one-day dash to Sarajevo last year brought a glance and was then ignored.

Last month, during a dozy spell for Deutsche mark, there was a moment's French-inspired chatter that the franc would serve quite nicely for a while as Europe's anchor currency. With barely a gulp, that glory-talk spiked itself last week in the real world of currency markets.

But what quite amazes now is the indifference in high places to the shriveling of the myth, the near extinction of the French voice. When he was asked in a conversation with journalists if he was not concerned by his country's image as a protectionist bastion, a closed-off place, Prime Minister Edouard Balladur answered that, well, after all, France had often been considered protectionist.

It was the same tone on immigration and identity checks. Did he care that France perhaps was no longer "the Madonnina in the frescoes," de Gaulle's phrase for what he felt were the country's high-minded goals and noble spirit? The answer was that France was not up to anything the other democracies weren't.

True enough. And there's the shame. If anything, France most resembles the United States, where protectionism has been rinsed and retiled as managed trade, immigration makes more and more people terribly nervous, and the national legends need plenty of work.

When a country sells off the high ground and keeps its meager properties, everybody comes up short. France's daily gifts are its imagination, its clarity, its civility. They are meaningless, its future, all vanity, dead to resonance, if they are not in the service of generous ideas.

International Herald Tribune

For the UN, A Volunteer Peace Force

By Stephen S. Rosenfeld

WASHINGTON — Phase 2 of United Nations peacekeeping has begun. People are asking how to avert a repetition of the worst failure in Phase 1, in Bosnia, where the members of the UN could not muster themselves to prevent an immense tragedy. But it is a tough question.

It depends what you think the UN's problem in Bosnia was. Some people think the problem was Post-Cold War overload. In Bosnia and elsewhere, UN members too casually asked an unprepared body to take on too many difficult peacekeeping tasks for which the members turned out to lack the political will, and the UN itself turned out to lack organizational skills and resources.

All this is true. Phase 1 has been a painful lesson, especially for the UN's members. How do you generate political will, for instance? Should the UN simply avoid missions where the chances of success are dubious and make triage — a ruthless ranking of agencies — an explicit rule? Can a world organization that does not offer basic police protections to all its members survive in the new age?

It takes some heart and imagination to avoid being thrown into dark pessimism by such questions. That is why I was drawn to a discussion of peacekeeping mechanics that a former UN peacekeeping chief, Brian Urquhart, kicked off in The New York Review of Books (June 10 and 24, July 13). Mr. Urquhart put his finger on a critical gap. Traditional UN peacekeeping is confined to the policing of done diplomatic deals, and there is not much risk for the peacekeepers.

Traditional interventions are reserved for the relatively rare Iraq-Kuwait situations, where there is risk but it is offset by a sense of the large geopolitical stakes.

But what happens when there is no local agreement to police, and yet the offense does not rise to the level of high strategy? This is life in the now-perpetual zone of ethnic strife and humanitarian emergency within states or former states — in the "no-man's-land" of the world. Mr. Urquhart would plug this gap with a UN volunteer military force that would be ready to be sent quickly on the authority of the Security Council and under the day-to-day direction of the secretary-general, to enforce the sort of Security Council peace resolutions that are now so commonly ignored.

The idea of forming a volunteer force is to spare political leaders a paralyzing concern for casualties by forcing their electorate. The idea of acting quickly arises from the hope that some number of these mini-wars could be nipped in the bud by an early show of force — "break the cycle of violence at an early stage in low-level but dangerous conflict" — and by concentrated doses of what is hopefully called "preventive diplomacy." The idea of strict enforcement, not "peacekeeping," is to give these volunteers a mandate for the kind of force essential to convey international determination to tough local characters.

The discussion Mr. Urquhart generated showed there are plenty of political and technical problems with a "UN legion." These start with the reluctance of small countries to code power to the Security Council and the reluctance of the five permanent council members to code power to the secretary-general. There are the fine points of command and control. These problems all strike me as falling in the tough-but-manageable category.

There remains the hard question of what to do if the initial envisaged small force runs into trouble and starts visibly failing. Pour in more UN soldiers? The most hardheaded response comes from a retired U.S. diplomat, Robert Oakley, who ran the successful U.S. Somalia intervention.

He says the United Nations should not be obliged to "protect a bad investment." But might not the foreknowledge that UN intervention was going to be limited incline marauders to hang on? Such foreknowledge would let the UN intervene in places where members now shy away in fear of becoming overruled. Mr. Oakley argues, and would mobilize locals to exploit a scarce resource while it was still available.

I think early and decisive crisis intervention — acting before emotions, hatreds and the scale of battle are hopelessly inflated — makes political sense. It also makes financial sense, since a small force sent now can preempt a requirement — one increasingly unlikely to be met at the straitened UN — for a large force later. A UN legion, first proposed 45 years ago, is an idea whose time has come.

The Washington Post

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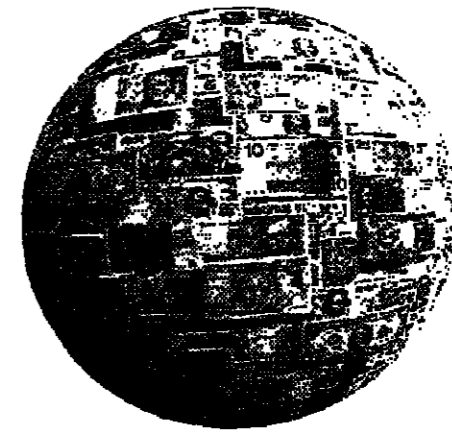
They Are Already Saddam's Victims

THE United States is ultimately going to have to abandon its tit-for-tat relationship with Saddam Hussein. The main victims of this policy are Iraqi civilians. They are already victims of Saddam's terror, his senseless war with Iran and the even more senseless war that followed his invasion of Kuwait.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

- 1893: Friction in Tangier. A considerable amount of excitement has been caused in diplomatic circles here by the action of the Sultan in sending back the French and Spanish in military missions, which had, as usual, accompanied the Imperial army from Fez.
1943: Stimson in Britain. [From our New York column:] Secretary of War Henry L. Stimson arrived in Great Britain today (July 11), less than two days after the Allied invasion of Sicily, and military leaders here said "great importance" was attached to his first visit to a theater of American operations in the present war.
1918: Italian Flattery. ROME — General Zupelli, Minister of War, just back from the front, where he visited the American troops, said: "They are fine fellows. Their vigor and enthusiasm and their desire to join in the struggle on the side of the other Allies are most reinvigorating."

Global Fund Management



Political Dimension / Long-Term View

New Opportunities in a World Turned Upside Down

More than 200 bankers, traders, brokers, fund managers and economists from over 20 countries gathered in London last month to ask each other — and tell each other — where the markets are moving.

The two-day conference at the Hyatt Carlton Tower, sponsored by the International Herald Tribune and International Fund Investment magazine, was described as a financial community "summit meeting" because it drew so many well-known participants, both in the audience and at the podium, from across the investment spectrum.

It was a rare opportunity for heavy hitters from the three sectors — bonds, currencies and equities — to bounce data and theories off each other face to face.

Typically, there was a wide divergence of opinion, interpretation and prediction. Technical traders argued with the fundamentalists. Equities experts urged buying in the markets that were closest to their hearts, homes and wallets — not necessarily in that order. The growth potential versus the political risks were debated for emerging markets from China to Argentina to India. And everybody had an opinion on the future of Germany and the Deutsche mark.

As speaker followed speaker, however, it became clear that there was general agreement that times of great change mean greater risk and greater rewards.

It seemed that the conference might be starting with a technical glitch when the first speaker walked to the podium and clicked up a slide showing a world map — upside down.

Technicians began scurrying to help, but the speaker, Anthony Sampson, a journalist and author who specializes in international issues, waved them off.

"The world has been turned upside down in the past three years," Mr. Sampson said. "Another point is that it's quite useful sometimes to look at it from a different viewpoint, to look afresh at the world, to avoid one's own clichés and misconceptions."

Discussing the political dimension of global investing in his keynote address, "Dangers and Opportunities in the World Disorder," Mr. Sampson offered an incisive tour around his upside-down world.

The author of books such as "The Midas Touch," "The Arms Bazaar" and "Anatomy of Britain," Mr. Sampson said it was necessary to have some picture of the long term in world events — starting before 1914 — in order to understand the short term.

"It is simply impossible now to think of economic growth without thinking of economic risk," he said.

This is hardly a new idea. It was only a few decades ago

that Britain still regarded the United States as a high-risk investment, even in the face of rapid American growth. Mr. Sampson added that the stakes are particularly high now with so many emerging markets and the end of the Cold War blocs.

Beginning with the United States, "the center of the world," Mr. Sampson said a major political-economic factor was the increasing competition within America from Asians, both immigrants and those representing interests still based in Asia.

A more visible and immediate political effect, however, will be Mexico's economic surge if the North American Free

Trade Agreement is approved, something that Mr. Sampson believes America may need as much or more than Mexico.

Mr. Sampson had high praise for Mexico's vigor and ambition and its "cultural dynamic and cultural confidence" at a time when so many other nations appeared mired in self-doubt.

"There's no doubt that a great deal of the ambition and future prospects of Mexican industry depends on competing within the United States with the advantage of cheap labor and relatively union-free, more dynamic attitudes," he said.

After several years of looking inward, the United States is being compelled to open itself to the global marketplace, Mr. Sampson said. Europe, in contrast, is focused on its own problems: reunification in Germany, corruption in Italy, privatization and political infighting in France, the future of the monarchy and Prime Minister John Major's government in Britain.

Mr. Sampson predicted that Europe would eventually emerge from the turmoil stronger both in terms of its individual countries and as a unified European market. The next big move forward in European union would be born

not of the EC bureaucracy or the Maastricht Treaty, but of "an external shock," probably from Russia and Eastern Europe.

Calling for a combination of creativity and discipline among Western investors in Russia, Mr. Sampson cautioned against viewing Russia's needs simply in financial terms.

"It's absolutely clear that what is desperately needed is management, right through Russia and the rest of the former Soviet Union," he said.

Mr. Sampson said it was an "ominous sign" that the West gets so little news from Middle Eastern countries, even concerning allies such as Saudi Arabia. He said oil explorations in the former Soviet Union could mean that the traditional center of world energy might move northward to the Caspian Sea, triggering "one of the most sensational changes in world thinking" in the 21st century.

Africa is "off the map" for many Western and Asian investors, who are fearful of the spread of religious fundamentalism in Algeria, Egypt and the rest of North Africa, Mr. Sampson said. On the other hand, he was relatively positive about South Africa and said that his longtime personal friend Nelson Mandela and other black leaders were now convinced that they needed Western trade and investment.

Why has it taken black leaders so long to begin dusting off the welcome mat for the West? "Well, all I can say is that they were in jail for a very long time," Mr. Sampson said.

Because of South Africa's existing infrastructure and possibilities as a gateway to black Africa, Mr. Sampson said that in many ways it had a brighter economic future than Russia and Eastern Europe.

Referring to the top of his upside-down map, Mr. Sampson compared the growth in Southeast Asia to that of Northwest Europe in the 19th century. He then compared the role of overseas Chinese bankers today to that of European Jews during the Industrial Revolution.

The new lines of transport and trade within and from East and Southeast Asia are "one of the most difficult concepts for us to analyze," Mr. Sampson said. Perhaps the biggest question of all is how far China's leaders will go in granting independence to the coastal states, which are enriching themselves while the interior states remain relatively poor and backward.

He predicted that the coastal trading states will indeed be allowed to prosper because it is the fastest way for China to become economically stronger.

Anthony Sampson

on the United States: "In Washington, Clinton is doing a good job ... It's her husband that rather worries me."



Larry Hite, Mirt Investment Management.



Malcolm Mitchell, InterSec Research Corp.



Otmar Issing, Deutsche Bundesbank.



Sir Alan Walters, AIG Trading Corp.



Norbert Walter, Deutsche Bank.

The Bond Market / Growth Patterns

Pension Dilemma: Assets Explosion

In 1992, American pension funds invested \$750 billion, of which barely 1 percent (\$7.5 billion) was invested in non-U.S. securities.

By the end of 1992, the industry had grown to \$3.3 trillion, with \$152 billion (4.6 percent) invested in non-U.S. securities. This adds up to a staggering growth over the past decade, both in the amount of money that American pension funds have to invest and the amount invested abroad.

But that is only part of the story, according to Malcolm Mitchell, senior consultant for the InterSec Research Corp. of Stamford, Conn.

Mr. Mitchell, himself a former portfolio manager, predicted that U.S. pension assets would grow from the current \$3.3 trillion to more than \$4.4 trillion by 1997, and that

"Every country for itself"

world pension assets would increase from the current nearly \$6 billion to more than \$8.4 trillion.

"New legislation, new wage scales, changing demographics globally are all conspiring to produce an explosion of pension liabilities and funded pension assets," Mr. Mitchell said.

InterSec's projected \$2.5 trillion increase over the next five years is probably low, according to Mr. Mitchell, because it does not include expected liberalization by countries such as Germany, France or Spain that could increase both the amount of pension assets and the potential for investing abroad.

"The opportunities for increased pension fund internationalization will also grow as asset management firms in every country seek to diversify their own client bases and therefore raise their marketing efforts worldwide," Mr. Mitchell concluded.

"There is virtually no way to usefully analyze any individual national financial market outside an international context," declared John Lipsky, chief economist and managing director of Salomon Brothers Inc., New York.

The two trends, he said, were the shift to the so-called

Continued on Page 10

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. It was written by Tim Harper, a London-based American journalist and lawyer, author of "Cracking the New European Markets" (John Wiley & Son, New York). Portraits by Anna Tully. Globe by John Lund/Photogram-Stone.

Who Manages Money?

Since 1955, "intermediary financial assets" in the United States have been managed more and more by pension funds, and less and less by commercial banks.

	1955	1965	1975	1985	1992
Commercial Banks	44.5%	37.2%	40.0%	32.8%	28.0%
Pension Funds	6.9%	11.6%	14.9%	19.9%	25.7%
Insurance companies	25.0%	20.8%	16.3%	15.1%	17.4%
Savings & Loans	8.9%	14.0%	15.1%	14.6%	6.4%
Mutual Funds	1.9%	3.8%	1.9%	3.3%	8.1%
Finance companies	4.3%	4.9%	4.5%	6.1%	6.2%
Money Market Mutual Funds	0%	0%	0.2%	3.4%	4.2%
Other (Credit Unions, Mutual Savings Banks)	8.1%	7.6%	7.1%	4.8%	3.9%

Source: Salomon Brothers Inc.

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Price performance is not necessarily a guide to the future. The value of this investment and the income arising from it may fall as well as rise and is not guaranteed. The fund may hold more than 25% of its property in Government Securities and other public securities issued by the same essential details of which may be found in the fund's prospectus. This fund is a sub-fund of the Guinness Flight Global Strategy Fund Limited, a Guinness Flight Global Asset Management Limited, a member of MIFRO and Dublin and investment advisor to Guinness Flight Global Strategy Fund Limited. A Guinness Flight Authorised Collective Investment Scheme and UK Recognised Collective Investment Scheme under Section 87 of the UK Financial Services Act 1986.

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ADVERTISING SECTION

Pension Dilemma: Assets Explosion

Continued from Page 9

emerging markets, and an explosion in asset management driven by the growth of private pension plans.

With widespread images of political and policy disarray, and with economic desynchronization — the United States recovering while Japan bottoms out and Central Europe heads toward an ever-deeper recession — Mr. Lipsky said it was fair to characterize the current world situation as "every country for itself."

Perhaps Mr. Lipsky's most emphatic point — and certainly his most controversial, drawing disagreement from subsequent speakers — was this: "The downturn in Germany is going to be longer and more severe than the markets and the policymakers have been willing to recognize."

He said German government and banking officials were right in predicting that the recession would ease by the end of the year — but "not this year."

His charts projected a 1.8 percent decline in Germany's gross domestic product this year, followed by another decline of 0.3 percent next year. On the other hand, Salomon projected GDP growth of 2.8 percent this year and 2.5 percent in 1994 for the United States.

Mr. Lipsky said the United States was awash in positive signs, including lower household and business debt burdens, more housing starts, higher incomes, increased equipment purchases and growth in trade with developing nations.

Moreover, he said, low short-term interest rates have never failed to ignite the U.S. economy, and there was no reason to think today's low rates would prove an exception — especially since he believed long-term interest rates would begin moving down by the second half of 1994. "I think the markets remain too pessimistic," he declared.

Axel-Gunter Benkner, managing director of D.W.S. Deutsche Gesellschaft für Wertpapiere, Frankfurt, took exception to Mr. Lipsky's projections for Germany. He said he expected the recession not to continue into next year but to end this summer.

Acknowledging that just about the only chart showing an increase right now was unemployment and that new taxes meant little hope of reducing inflation for the next 12 to 18 months, Mr. Benkner nevertheless argued that consumer demand has held up and that the picture is brightening for German bonds.

"Our heaviest positions are in non-government bonds, where we get returns comparable with the highest returns we would make in the long-term government bonds, but with lower risk," he said.

Gary Kreps, chief investment officer for global fixed income at GT Capital Management in San Francisco,

laid out the framework for the discussion on emerging markets that commanded so much of the conference's attention.

The continuance of the two-to-three-year-old global bond rally depends largely on cyclical economic factors in developed countries such as the United States, Germany and Japan, Mr. Kreps said, and what is going on in the developing world "is much more exciting" for fixed-income or equity investors.

He said certain countries in Latin America, Eastern Europe and North Africa were demonstrating new patterns of growth and inflation that allowed them "to diverge from the

Patrick Dempsey on why Black Wednesday is known as Golden Wednesday at his firm: "Our income is in hard currency, and our expenses are in sterling."

supposed mainstream economic profile.

"These changes are not a function of what's happening in the developing world," he continued. "These countries are undertaking fundamental reforms in their economies, fundamental at every level."

Mr. Kreps said his GT Global High Income Fund, which showed a 20 percent profit during the first five months of this year, looked for certain public policies in emerging markets.

One important one was a stabilized balance of payments achieved through realistic exchange rates. Another was reduced inflation and lower fiscal deficits through privatization and tight money.

He cited Argentina as an example of how quickly new public policies could effect real changes. President Carlos Saul Menem's government reduced inflation from 343 percent in 1988 to 20 percent in 1992 by pegging the currency to the dollar, refusing to print any more money to cover debts, restricting new spending, encouraging foreign trade and privatizing the economy.

The number of private businesses in Argentina has risen from 15,000 to 1.5 million; the proportion of private employees has risen from less than 10 percent to more than 50 percent.

Initially, he said, the markets had a negative view of the changes, particularly when Argentine production plummeted by 25 percent. But that was the time to buy, according to Mr. Kreps.

In four years, Argentine bonds have risen from 25-30 cents against the dollar to above 90 cents, and yields have dropped from 25-30 percent to just above 10 percent.

"Now is the time to move beyond

the traditional areas of fixed-income investing to countries that very much deserve our attention," he concluded. In the short range, he thinks Mexico is a good bet; Cuba is a country to watch in the long term.

In response to questions from the audience, Mr. Kreps said the unemployment that often resulted from such reforms could create political instability, but that was often a necessary step toward restructuring and bringing flexibility to the economy.

The next speaker, Sandra Curtis, head of fixed income at Credit Suisse Asset Management in London, pointed out how the forward and futures markets can minimize the risks in local currencies.

She added that many investors looked forward to the currency play: "Clients have fairly well-developed ideas of the kinds of risks they want to take, including currency risks," she said.

But few would be so foolhardy as to buy a bond in anticipation of lower interest rates without also anticipating that the lower rates could lower the value of the currency.

In her talk, Ms. Curtis described how her systematic management used hedging to protect returns.

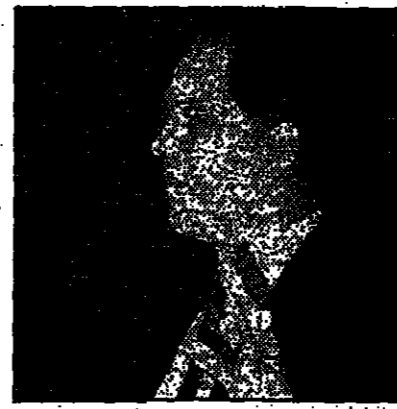
"Derivatives can produce better returns with comparable risk," she said. "When we buy a bond, we sell the future." A critical element is that the hedge be as accurate as possible "to match the price of the bond with the price of the future."

For options, Ms. Curtis said, the important thing was for the downside risk to be limited to the amount spent on the options themselves. Using dollar-sterling exchange rates as an example, she described how selling a call option while at the same time buying a call and a put — a double-covered straddle — could produce profits even when the market was not moving.

Moving back into the political arena, Patrick Dempsey, whose Dempsey & Company International manages \$2.5 billion in assets from London, handed out charts and graphs on Europe with a skull and crossbones on the cover, under the title "Is Convergence Dead?"

The future of convergence — as outlined in the Maastricht Treaty's framework for a single currency — largely depends on the future of the Deutsche mark and how GDP per capita holds up in Britain and other countries when compared with Germany.

The most likely scenario, Mr. Dempsey indicated, is not the one envisioned by Maastricht; a more likely possibility is some form of limited convergence within the EC among Germany and the countries whose currencies are tied to the mark. Other countries may move toward convergence, but will stop short of being incorporated into a true European single currency and central banking system.



Howard Flight, Guinness Flight.



Andrew Homig, Citibank

Currencies / View From Frankfurt

Germany's Role In European Stability

The conference schedule was jugged to accommodate one of the most eagerly anticipated speakers: Oskar Issing, a member of the board of the Deutsche Bundesbank and a member of the German Central Bank Council in Frankfurt.

While careful to reveal no inkling of blockbuster news about where — or when — German interest rates might go, Mr. Issing made it clear that the rest of Europe should not expect too much of Germany or the Deutsche mark.

He criticized the "counterproductive political overloading" of the European

the Deutsche mark. "This stock, of course, is not unlimited," he said. If there is to be a Eurocurrency, it must be based on stability that goes beyond mere convergence of inflation rates, interest rates, deficits and other fiscal criteria, Mr. Issing said.

"There is also a need for an underlying social consensus, a stability culture. Only a stability culture will make it possible to contain the impact of an entitlement mentality in difficult times."

He indicated that a key to a single currency will be the willingness of other EC countries to link their currencies with the Deutsche mark. But the timing must be right. If they make the link too early, there are risks of devaluations and lost credibility.

Mr. Issing warned European countries against trying to spend their way out of the recession. "What makes such programs basically questionable is that they do not create permanent growth but, at best, stimulate employment temporarily," he said. "One should therefore dispense once and for all with the illusion that public spending programs can produce more than a flash in the pan. What remains is generally nothing but debt, which will have to be serviced in the future as well."

One of Mr. Issing's co-panelists, Howard Flight, managing director of Guinness Flight Global Asset Management in London, asked Mr. Issing about productivity, particularly the nearly 5 percent rise in unit output costs last year. Mr. Issing said labor costs should be up barely 2 percent this year in West Germany.

Another panelist, Andrew Homig, head of the strategy and currency unit at Citibank in London, brought up the "sense in Europe of impatience" with Germany.

"There is always a limit to patience in life, and in economics, too," Mr. Issing replied. He said some other coun-

Continued on Page 11

John Lipsky on the recession in Europe: "The German economy will turn around by the end of the year — but not this year. My assessment is that the downturn in Continental Europe will continue through next year."

Monetary System and the textbook example of "collective self-deception" by EC governments that led to last autumn's exchange-rate upheavals.

Ultimately, they were a consequence of the illusion nurtured by the participating governments that, despite fundamental divergences, fixed exchange rates could be upheld in opposition to market forces by political means," he said.

While a stable European currency remains the ultimate goal of the EC and the Maastricht Treaty, "Stability must not be reduced to exchange-rate stability." He added: "Exchange-rate stability demands a stable internal value of money, and not vice versa."

Germany, he conceded, is drawing heavily on its stock of confidence in



John Lipsky, Salomon Brothers.



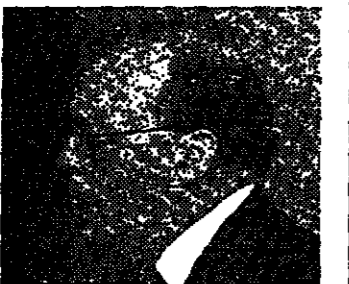
Axel-Gunter Benkner, D.W.S.



Gary Kreps, GT Capital Management.



Sandra Curtis, Credit Suisse Asset Management.



Patrick Dempsey, Dempsey & Co. International.



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Ross Jackson, Gaiacorp.



Alan Albert, Merrill Lynch Asset Management.



Nicholas Knight, Nomura Research Institute-Europe.



Beat Wittmann, U.B.S. Asset Management.



Audley Twiston Davies, Latin American Securities.



Henry Thornton, Crédit Lyonnais International.



N. Ranjan Pal, Jardine Fleming Broking.

Equities / Home's Best

An Irreverent View of World Economics

One of the featured speakers at the conference was Sir Alan Walters, vice chairman of AIG Trading Corp., but best known as an economic advisor to former British Prime Minister Margaret Thatcher.

Sir Alan gave an irreverent, opinionated view of past, present and future European and world economic affairs.

He began by dismissing the European Monetary System as a scheme designed to bring a "sea of stability" to the currency exchanges, but actually aimed at allowing French bureaucracy to contain the monetary might of German industry.

Sir Alan said that Germany is perhaps nine months behind Britain in pulling out of recession and that it has structural weaknesses that will mean more problems for the nation in the future. "There's some-

thing fundamentally wrong there," he said. Sir Alan credited Alan Greenspan with giving the United States "about the best monetary policy you could order." But he added that "recovery could be stalled in its tracks, and the Clintonian is doing its best."

Eastern Europe, Sir Alan said, showed great promise. "But... promises are about all you'll see," he warned. He said the wrenching free-market reforms imposed by Western institutions and experts had been "disastrous."

On the other hand, Sir Alan was positively bullish about China's future: "In my view, China will be dominating the world economy by the year 2010—possibly as early as that."

He noted that fixed investment in China was up by 40 percent in China last year and by 120 percent in rural areas; income has

rised from \$400 to \$2,400 per capita in recent years; and while trade accounts for only 3 percent of China's GDP, it is "growing like mad" and has huge potential.

At this point, Sir Alan abruptly returned to Europe and his well-known dislike for the Maastricht Treaty in general and European monetary union in particular.

"If there is a central bank in Europe it will be the Bundesbank; if there is a single currency, it will be the Deutsche mark," he said.

Alan Albert, managing director of Merrill Lynch Asset Management U.K. Ltd. in London, opened the session on equities by tracing the growth of international equities in Merrill Lynch's portfolios: from 2 percent a decade ago to 7 percent now to a projected 15 percent in a few years.

Emerging markets will

get more attention, he said. "But the real problem is that you can't get a lot of money into those markets," Mr. Albert said. When exchanges are established and equities are offered from emerging markets, the general strategy is "buy and hold."

In contrast, most equities managers will continue to develop "buy and sell" strategies in the more mature markets. For specific forecasts in Europe, Mr. Albert said Merrill Lynch was moving away from British equities while buying more shares in Spanish, Irish, Italian and German companies.

Nicholas Knight, head of strategy for Nomura Research Institute-Europe Ltd., in London, came up with a simple, straightforward and perhaps not altogether unsurprising recommendation: Buy Japan.

After the appreciative

laughter, however, Mr. Knight put forward the real question: What should I sell? The problem, he said, is that he also wants to buy the United States, as well as Southeast Asia and particularly Hong Kong. The most logical sell is Europe, he said, though not the United Kingdom.

Mr. Knight's resulting portfolio would be marginally overweight in Japan and significantly overweight in the Far East.

A different view came from Beat Wittmann, head of European equities for U.B.S. Asset Management in Zurich. He said now is the time to buy the Continent: France and the Netherlands are coming out of recession, Scandinavia and Switzerland are at the bottom and Germany and Italy are almost at the bottom.

Similarly, Audley Twiston Davies, managing

director of Latin American Securities Ltd., touted the countries where his fund has been growing at 50 percent a year since 1987, including Mexico, Brazil, Argentina, Chile, Colombia, Peru and Venezuela.

"It is a region that is gaining international acceptance as an area worthy of normal rational asset allocation decisions," he said. "You should be putting something between 3 and 5 percent of your equity assets in Latin America."

Mr. Davies warned, however, against regarding Latin America as a homogeneous region and ignoring national differences.

Henry Thornton, investment director at Crédit Lyonnais International Asset Management (H.K.) Ltd. in Hong Kong, spoke of the great growth in Thailand, Indonesia, Malaysia,

the Philippines and among other emerging markets in Southeast Asia.

He admitted that one hurdle was that there are no good indices in the region, but said the attraction of the typical investment was projected annual earnings per share growth of 15 to 20 percent, starting with a multiple of 15.

Mr. Thornton said double-digit growth figures are a prime attraction, but added, "This is not just a go-go growth story. These are large and complex economies. The Asia Pacific is 10 percent of the world economy, so you should have 10 percent of your portfolio there."

N. Ranjan Pal, director and regional economist in Hong Kong for Jardine Fleming Broking Ltd., focused on China and especially on the prospects

of overheating as a result of 12 percent annual gross domestic product growth.

"Overheating is here, like it or not," he said. The difficulty for investors and analysts from industrialized countries is that many of the old rules simply don't apply to China.

Official interest rates have little impact, and while the retail price index rose less than 10 percent last year, that didn't include fuel, utilities, durable goods, infrastructure spending and other factors. Thus, the rise was really more like 20 percent.

To close the session, Peter Dencik, deputy executive director of PKA Ltd., spoke about European pension funds and made a strong plea that pension managers should not be patronized by the investment industry.

Germany's Role in Europe

Continued from Page 10

tries, such as the Netherlands, are happy with Germany's caution.

Mr. Flight kicked off the session on currencies by explaining that in his pessimistic view of Germany he had concentrated on long-term problems, as opposed to the short-term woes underscored by John Lipsky of Salomon Brothers.

Mr. Flight suggested that instead of downplaying the problems with reunification, the German government should have geared in 10 to 15 years of higher inflation, in much the same manner that some larger corporate mergers manage to work better with inflation.

"The next 10 to 20 years will see a weak currency

and economic and political problems deepening," he predicted.

European currencies in general will be overvalued in the coming years, but Germany's problems were exacerbated by 16 million people who produce nothing anybody wants, cost billions in social care yet morally regard themselves as Germans with the full rights of West Germans.

Citibank's Mr. Hornig described the dollar as an almost sure bet in the near future.

"We think the dollar will go up against the mark," he said. "In the near term, I don't see much risk."

A sharply contrasting view came from Ross Jackson, CEO of the Denmark-based Gaiacorp, which runs a currency fund that grew from \$83 million

in 1987 to \$2.3 billion last year. He said both the U.S. economy and the dollar are in long-range trouble.

Worldwide, Mr. Jackson said, we are approaching the end of the era of real economic growth. "We've been living off our capital and calling it growth," he said. He predicted that currency funds would continue to perform even in a no-growth environment.

Larry Hite, managing director of Mint Investment Management, talked about the similarity between currency and other markets, explaining that all are driven by yield and momentum. He said that even if perfect knowledge of future market movements was guaranteed, money management expertise would still be needed to produce good returns for investors.

Germany / Policy Impasse

Interest and Exchange Rates: The Crystal Ball

Norbert Walter, chief economist, Deutsche Bank AG, Frankfurt, was the speaker at the conference. He said, "We are at a policy impasse in Germany. Mr. Walter said, concerning the wage and monetary policies of the government. He noted that Germany is proud of keeping wage increases down to 3 percent to 3.5 percent in 1983, but that figure is still higher than increases in other countries, including Italy. He said the government will make more pronounced efforts to reduce spending and will continue to cautiously expand its privatization program. Finally, he came to the numbers: My

forecast is that we will have something like 5 percent or less money-market rate in a year's time and that long-term rates will be a bit lower than they are today, closer to 6.5 percent in Germany. I do believe that exchange rates within Europe will stay where they are and that there will be some slight appreciation in the dollar, somewhere like 1.80 DM in a year's time. The yen may move toward 100 to the dollar." When questioned from the audience about his dollar/mark prediction, he said there is one overriding rationale: "Hillary ... wants her husband re-elected."

60 percent for many middle-to-high-income Germans by 1995.

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Limited, London, Tel: 322 40 00. Prices may vary according to market conditions and other factors. July 9

Canadian Dollars

Table of Canadian bond prices with columns for Issuer, Con, Mat, Price, Yld, and Snd.

Table of international bond prices with columns for Issuer, Con, Mat, Price, Yld, and Snd.

ECU Straights

Table of ECU straight bond prices with columns for Issuer, Con, Mat, Price, Yld, and Snd.

Pound Sterling

Table of Pound Sterling bond prices with columns for Issuer, Con, Mat, Price, Yld, and Snd.

Yen Straights

Table of Yen straight bond prices with columns for Issuer, Con, Mat, Price, Yld, and Snd.

MUTUAL FUNDS

Figures as of close of trading Friday, July 9.

Large table of mutual fund prices with columns for Fund Name, Bid, and Ask.

Table of mutual fund prices with columns for Fund Name, Bid, and Ask.

Table of mutual fund prices with columns for Fund Name, Bid, and Ask.

Table of mutual fund prices with columns for Fund Name, Bid, and Ask.

Table of mutual fund prices with columns for Fund Name, Bid, and Ask.

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RATES

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CAPITAL MARKETS

Franc May Yet Trigger New Crisis in Money Grid

By Isabelle Clary
Knight-Ridder

NEW YORK — The dollar's jump to a 22-month high against the Deutsche mark last week provided a clear sign of currency market participants' belief that European interest rates are on the way down.

But analysts caution that European rates may not fall as fast, nor as harmoniously, as expected. And some market players are even speculating that the worst crisis for the European Monetary System's exchange-rate mechanism may be yet to come.

"There are questions hanging over the market regarding the relationship between France and Germany," said Lisa Finstrom, a currency analyst at Shearson Lehman, commenting on the French mark Thursday and Friday.

"There are a lot of rumors that the French may end up leaving the ERM."

Rumors persist that France will quit the ERM.

These speculations surfaced last week when Bundesbank officials turned down a French offer to discuss monetary policies in Paris.

While both France and Germany face shrinking economies and higher unemployment this year, their respective interest rate scenarios may differ significantly, analysts said.

Cornelius Los, an economist at ING Group, said the case for quick and aggressive easing in France, where unemployment stands at about 11 percent and inflation at around 2 percent, is fairly clear-cut.

The performance of the French 10-year bond reflects the relative absence of inflationary pressure. It offers an attractive yield above inflation of about 4.85 percent, which leaves a comfortable margin to lower rates without fueling inflation.

The German 10-year bond, however, does not point to such positive fundamentals, as its real rate of return is a meager 2.40 percent — the lowest inflation-adjusted yield among the world's major government debt issuers. The second lowest return is offered by the U.S. 10-year note, at about 2.60 percent.

Aggressive easing by the Bundesbank would raise inflation fears and further erode the return on investments in Germany, which still needs to borrow heavily to finance its deficit and the development of Eastern Germany.

"Unlike in the U.S., where the problem is being seriously addressed, there is little hope for budget deficit reduction in Germany due to the cost of reunification," Mr. Los said. "Easing could actually result in higher nominal rates if investors perceive that Germany has chosen to monetize its debt and let inflation creep up."

These fears are less than purely hypothetical. The latest run-up in precious metals prices took place right after the Bundesbank eased at the beginning of the month, in a gesture largely seen as aimed at pleasing Germany's Group of Seven partners before their Tokyo summit meeting.

"This rate cut was seen as a little premature from the market's point of view," said Robert McGee, senior economist at Tokai Bank.

As the recession, unemployment and the related social problems

See FRANC, Page 15

THE TRIB INDEX

International Herald Tribune World Stock Index, composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News. Week ending July 9, daily closings, Jan. 1992 = 100.

| Index | 1992 | 1993 | % Change |
|----------------|--------|--------|----------|
| Energy | 100.44 | 101.21 | +0.76 |
| Utilities | 107.01 | 106.57 | -0.42 |
| Finance | 110.46 | 108.29 | -1.97 |
| Services | 110.54 | 111.17 | +0.57 |
| Capital Goods | 98.25 | 98.26 | +0.01 |
| Raw Materials | 99.82 | 99.09 | -0.74 |
| Consumer Goods | 85.89 | 85.92 | +0.03 |
| Miscellaneous | 101.40 | 102.90 | +1.46 |

The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Airline Feud Lands in Texas Court

By Richard M. Weintraub
Washington Post Service

WASHINGTON — When American Airlines Inc. slashed and simplified fares in a major promotion last summer, the largest U.S. carrier hailed the move as a bid for rationality on behalf of consumers and airlines alike.

Bob Ferguson remembers it another way. The head of Continental Airlines Inc. figured the only way American could make money with its new fare schedule was by stealing passengers from someone else.

On Monday, the Hatfields and the McCoy's of the airline world square off in a courtroom in Galveston, Texas, with Continental and Northwest Airlines Inc. joining to claim that American's fare plan was predatory pricing intended to push them out of business.

AMR withdrew the simplified fare system, which spared a price war that cost all 10 carriers millions of dollars. But it is on the question of motivation that the suit will turn.

and motivation can be one of the most difficult things to prove in court.

The jury and appeals courts must be convinced that not only was there intent to eliminate a competitor, but also that the predator could both recover the money intentionally lost and gain further profits because of the lessened competition.

If Continental and Northwest beat long odds and win, hundreds of millions of dollars could shift from American to its weaker competitors. That would be a tough loss for Robert L. Crandall, American's chairman.

It was Mr. Crandall who most skillfully rode the winds of deregulation in the 1980s to build American into the largest U.S. airline, by every measure, with a powerful domestic system and extensive overseas routes to Europe and Latin America.

Mr. Crandall is "betting his company, everything he's worked for for 15 years on this lawsuit," said David Boise, the antitrust lawyer representing Continental. The plaintiff

airlines calculate that each suffered from \$325 million to \$350 million in losses. They are seeking \$1 billion in damages. Under antitrust law, treble damages in the most extreme calculation could reach \$3 billion.

According to pretrial documents that are public, Continental and Northwest claim they have found statements by Mr. Crandall and internal papers prepared for him that demonstrate American was prepared to lose hundreds of millions of dollars in an effort to drive the weaker airlines out of business.

They also said they have documents showing that American calculated it would gain an additional \$1.6 billion in 1993-95 alone if weaker airlines stopped flying.

"The fundamental issue is whether what American did was legitimate, hard, fierce competition — which is what they say — or whether, as we say, it was knowingly below-cost, predatory, illegal competition designed to eliminate certain weaker competitors," Mr. Boise said.

China Lifts Deposit Rates to Lure Savers

Compiled by Our Staff From Dispatches

BEIJING — China's central bank announced that, effective Sunday, it was raising interest rates paid investors on certain deposits and government bonds in an effort to promote savings and dampen speculation and consumption.

The move by the People's Bank of China, under its new governor, Zhu Rongji, complement the squeeze on lending that the authorities have imposed in an effort to cool the overheated economy without causing a crash landing.

The People's Bank said late Saturday that bank loan rates, an instru-

ment of the credit squeeze, would be raised by 1.38 percentage points.

But the bank also announced the second increase in two months in rates on fixed-term deposits, which rose an average of 1.72 percentage points. The rates on one-year deposits, for example, rise to 10.98 percent from 9.18 percent.

Interest on long-term savings accounts with terms of between three and eight years will be pegged to inflation for the first time, the official news agency Xinhua quoted the central bank as saying.

The finance ministry also boosted the rates for three-year treasury bonds, including those issued last

year, to 13.96 percent from 12.52 percent. Five-year bonds went to 15.86 percent from 14.06 percent, Xinhua said.

The ministry also pledged to peg longer-term treasury bonds to inflation.

The government has had trouble selling this year's \$30 billion yuan (\$5.22 billion) worth of treasury bonds, and recently began trying the bonds to pay all or part of workers' salaries or using other means to force workers to buy them.

Investors have been shunning bonds as well as bank deposits in favor of speculative real estate, gold or stock market plays largely be-

cause inflation, at nearly 30 percent annually, was far outstripping returns on debt instruments.

To give a further push to the new measures in favor of savings, China's banks launched a publicity campaign on Sunday that exhorted citizens to "save with enthusiasm and invest with caution."

The slogan appeared above an editorial in the Communist Party flagship People's Daily and then on red and yellow banners draped outside banks across Beijing.

Officials of the People's Bank of China, the Bank of China and the specialized agricultural, construction and commercial banks gave up their only day off to hand out leaflets and drum up support for China's biggest savings pitch in years.

State-run radio said similar efforts were under way in cities across the country.

On Friday, Mr. Zhu ordered a halt to irregular interbank lending and ordered banks to recall funds lent to nonfinancial institutions. He also ordered banks not to independently raise interest rates

See SAVE, Page 14

Edinburgh Notebook

Twas a Dream of a Recession

A remarkable thing happened in Edinburgh during the longest British recession since the 1930s — the downturn all but skipped this ancient Scottish capital. "It has been a damn good recession for us," said James Scott, executive director of Scottish Financial Enterprise.

In Edinburgh and in Scotland more widely, nothing could have come as a bigger surprise. Scotland's unemployment, which has exceeded Britain's for decades and which invariably tended to soar away time Britain's merely rose, has actually fallen below the national average. "All my life the pattern has been that Scotland's unemployment rate has been twice Britain's," said Donald Hardie, head of the Scottish division of the Institute of Directors, the employers' organization.

Businessmen and government officials are quick to crow about the success of their decades-long struggle to restructure Scottish industry. In Edinburgh the likes of the big breweries and paper companies that once dominated the local economic landscape have given way to the financial sector — banks, insurance companies and fund managers — that has now become the city's largest employer.

Some attribute Edinburgh's new-found resilience to Scotland's having largely missed out on the boom and on the huge leveraging up by businesses and consumers of the late 1980s. "Here things were not as crazy," said John Shaw, deputy governor of the Bank of Scotland. "Here we never had any illusions that businessmen could walk on water."

Prosperity's Architectural Toll

Edinburgh's relative prosperity has caused its own strains. "We are here in a modern, purpose-built building, next door to another modern purpose-built building and across the street they are building another one," boasted Ross Lidstone, a partner in Baillie Gifford & Co., Edinburgh's largest fund managers, as he surveyed his firm's new headquarters.

The problem is what that spate of new building has left in its wake — a sea of "To Let" signs in the stately Georgian-era district of immaculate squares and massive granite houses known as New Town. New Town's Charlotte Square, the traditional home of Edinburgh's accountants, lawyers and fund managers now stands largely empty for the first time in its 200-year history.

John Campbell, a partner at Hillier Parker, a real estate agency, says that he would dearly like to build "something new" behind the Georgian facades of Charlotte Square. He also admits that the conservation-conscious city fathers are loath to allow it. "This is a uniquely lovely city but we are bedeviled by our architectural heritage," he said.

With Edinburgh's financial firms increasingly in need of large, open-plan office space, the future of New Town looks bleak. George Kerewan, chairman of the city council's economic development

committee, sees converting the district back to residential and hotel use as the only solution.

Pannunjom on the Moors

One of the greatest frustrations for Edinburghers intent on seeing the city return to greatness is that with a population of a mere half a million it is too small and too isolated ever to achieve the top rank of European cities. In desperation some leading citizens have recently revived an old notion that Edinburgh combine forces with its archrival Glasgow and its 750,000 citizens.

"Having two competing communities I think frustrates our achieving critical mass in either," said Mr. Shaw of the Bank of Scotland. He would prefer to see the cities billed as one great conurbation "with a bit of moorland between them."

The problem has always been that the dimensions of the physical gap — 40 miles (64.5 kilometers) of rolling moorland — has always paled next to those of the cultural gap. Coolly introspective Edinburghers have long found much to fault in their more open and aggressive Glaswegian neighbors, a distaste that is hotly reciprocated in Glasgow.

Mr. Kerewan, the Edinburgh city councillor, likens the last round of official talks between the great and the good of the two cities that took place 18 months ago as being like the long-running talks at Pannunjom to settle differences between North and South Korea. "Everyone was there and had to be seen as being there but clearly not much was going to happen," he said.

A Bank Too Far

One of Edinburgh's boldest attempts of recent years to vault into the big leagues came 14 months ago when it proclaimed its candidacy as a home for the European Community's new central bank.

In that effort Edinburgh was keenly aware of its limitations and thus of its need of allies. Its efforts to win the backing of the British government floundered, however, when the government made it clear that it had put its chips firmly on London.

One Scottish banker said he worries that Edinburgh's bid may have actually strengthened London's case. Edinburgh's candidacy rested on the idea that the new central bank, with its thousands of high-paying jobs, should be split between two cities, much as the main operations of the Federal Reserve System in the United States are split between Washington and New York.

Unfortunately, as that idea of a fragmented central bank has gained wider support it has bolstered London's case. Economists argue that London would be a natural to reprise the role played by New York in the American central bank, on the assumption that a continental city like Frankfurt would play Washington's headquarters role.

Erik Ipsen

Hope Persists For N.Y. Post

New York Times Service

NEW YORK — The New York Post missed its Saturday edition and did not plan to publish on Monday, but three potential owners remained in the running over the weekend to reopen the 192-year-old paper.

Rupert Murdoch, who was operating the paper until last week, was said to be reconsidering his decision to close it. Unions were working among themselves to add \$1.2 million in annual concessions to approximately \$5 million they have already offered.

Meanwhile, Abraham Hirschfeld, the parking garage millionaire who tried to take over the paper earlier this year, said he was ready. Because of the Post's bankruptcy, Judge Burton R. Lifland could review alternatives to Mr. Murdoch next week.

Sтивен Hoffenberg, a debt-collection specialist whose bid for the Post ran into trouble when he was charged with investor fraud, also said he was available.

BusinessWeek

This week's topics:

- Does \$400 Gold Mean Inflation?
- Europe's \$150 Billion Selloff
- Inside The Walkenborg Empire
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Russia, Ukraine, Belarus Forge Market Union

Compiled by Our Staff From Dispatches

MOSCOW — The three Slavic states that dominated the former Soviet Union agreed over the weekend in economic desperation to form a market union, reversing the post-communist trend toward separate development.

The prime ministers of Russia, Belarus and Ukraine emerged from a meeting on Saturday to issue a joint statement that seemed to envision a common market.

Removal of tariffs and other trade barriers was a priority of the agreement, according to the statement quoted by Itar-Tass. It called for the creation of a customs union and a single market in goods, services and capital, with unified policy on prices, investment and tax.

"The interests of our states dictate the need to maintain a single economic space," the statement said.

The Belarus prime minister, Vyacheslav F. Kebich; Russia's Viktor S. Chernomyrdin, and Ukraine's Leonid S. Kuchma signed the statement and instructed specialists to devise a full treaty by Sept. 1.

The three Slavic countries pledged to coordinate the pace of their transitions from centralized economies to capitalism, to streamline credit and money supply, and to agree on limits for each other's budget deficit. The three nations are at different stages of economic reform. Ukraine and Belarus lag behind Russia in putting state industry into private hands, for example.

Russia and Ukraine apparently were trying to minimize the political dispute caused by the Moscow parliament's claim to Sevastopol, and lift the discussions toward economic cooperation and the inclusion of Belarus.

"No one is talking about restoring the Soviet Union. It looks more like the creation of some kind of

European Community," Mr. Kuchma said on his return to Kiev. "No document was signed, just a declaration. All the work remains to be done in the future."

Under the new system, citizens of any of the three states could live, work and buy property freely in the other. Their rights, however, would be safeguarded by their own national governments. The statement recognized the need to create executive and coordinating bodies to carry out these reforms. They would be given supranational governing functions.

Mr. Kebich said further that economic union is open to all former countries of the Soviet Union that want to join, "but with conditions." The statement said other countries may join if they are not already part of another economic grouping that would prevent them from sharing the foreign economic policies of Russia, Belarus and Ukraine.

That clause could keep the Central Asian republics out. These Soviet republics have signed up for an economic cooperation organization started by Turkey, Iran and Pakistan.

"It is very difficult to combine these two unions," Alexander Shokin, deputy prime minister of Russia, told the Interfax news agency. "Kazakhstan and our other CIS partners will have to choose and decide which of these two economic unions to join."

The meeting of prime ministers at a guarded government retreat outside Moscow was reminiscent of the secret gathering by leaders of the same three republics in 1991 to dissolve the Soviet Union and form the so-called Commonwealth of Independent States, which other Soviet republics later joined.

The new accord showed the three Slavic countries banding together to save their faltering economies

See UNION, Page 14

Mission Impossible: EC Money Talks

By Tom Buerkle
International Herald Tribune

BRUSSELS — European Community finance ministers on Monday set to review plans for moving toward a single currency later this decade even as the deteriorating economy and renewed currency instability make that timetable increasingly unlikely.

The EC Commission and the EC Monetary Committee, the secretive body of top Treasury and central bank officials, will present ideas for coordinating economic policy among the 12 member states through the end of 1996, when a single currency can be adopted if a majority of states meet tight economic criteria.

Few EC officials believe any major nations can meet that timetable, a fact that will be underscored by Britain in presenting its plans for meeting the criteria.

Kenneth Clarke, Britain's recently appointed chancellor of the Exchequer, will explain how his government plans to bring inflation within a range of 1 to 4 percent and reduce the deficit from 8 percent of gross domestic product in the current year, which began April 1, to 3.75 percent in 1997-98.

That would still be above the 3 percent limit set by the Maastricht Treaty on European Union as a condition for a single currency.

The plan came in for heavy criticism at a meeting of the monetary committee last week for relying largely on economic recovery alone to close the budget gap. The total impact of planned tax increases would cut the deficit by just 1.5 percent of GDP.

The claim that the deficit stems mainly from recession rather than structural tax and spending problems is an easy out, said one commission official, who spoke on condition of anonymity.

A British official dismissed that criticism. He said his government remained committed to balancing its budget in the long term, which goes beyond Maastricht's demands, and said the medium-term deficit targets represented some degree of realism about what can be achieved given the worldwide slump.

The British view wins some support from Belgium, which holds the EC presidency. Although Britain is frequently attacked because of its skepticism about Maastricht's goals, the deficit-cutting targets of other countries' convergence programs have come in for similar criticism, a Belgian official said. "All the programs have been a bit too optimistic," he said.

The average EC budget deficit is expected to exceed 6 percent of GDP this year, and few economists see bulwarks like France and Germany.

See EC, Page 16

When gold must do more than glitter

Omega Speedmaster Automatic.
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Water-resistant.
Swiss made since 1848.

OMEGA
The sign of excellence

China Southern Airlines to Lease 21 Boeings

Compiled by Our Staff From Dispatches
BEIJING — China's fastest-growing regional airline, China Southern Airlines, will lease 11 Boeing passenger aircraft in the second half of this year and another 10 next year, the China Daily reported Sunday.

The planes to be leased this year include two Boeing 767-300ERs, four 757s and five 737-300s. They will be used for flights through Southeast Asia, as well as to help relieve overcrowding on domestic trunk routes, an airline official was quoted as saying.

The 11 Boeings have been leased for five years with an option to take possession at the end of the lease, the unidentified official said. He refused to reveal the value of the lease or the lessor, according to the paper.

In December the Guangzhou-based company placed an \$800-million order to purchase six wide-bodied Boeing 777s.

China Southern is one of seven decentralized regional carriers spun off by the Civil Aviation Administration of China. The airline flies 16 international routes and dozens of domestic routes and is considering adding new routes to Japan and the United States, the official said.

Taipei Opposition to BAE Deal

TAIPEI — Taiwan's main opposition party on Sunday rejected a joint venture between Taiwan Aerospace Corp. and British Aerospace PLC. "We will strongly oppose the deal during the next parliamentary meeting because there is no real investment interest in it," said Feng Fushian, a legislator from the Democratic Progressive Party.

Taiwan Aerospace, which is 29 percent government-owned, and BAE initiated a memorandum of understanding in January to form Avro International Aerospace Ltd. to make a new short-haul passenger aircraft, TAC is to pay BAE £120 million (\$184 million) for a 50 percent stake in the company.

The government is expected to approve the deal. Mr. Feng and another legislator, Chen Shui-bian, asserted that the joint venture would produce noncompetitive planes and make no money.

Mr. Feng said BAE has suffered from huge deficits in producing regional jets and needed the tie-up with Taiwan Aerospace to curtail its deficit.

China grew 28 percent last year and is expected to expand by more than 20 percent a year this decade, according to Civil Aviation Administration estimates.

China will take delivery of 47 Boeing jets this year, about 14 percent of Boeing's global business, company executives said in May. (Bloomberg, Reuters)

SAVE: China Raises Deposit Rates

Confined from Page 13
 Shanghai foreign-exchange swap center and fueling a sharp rebound for the yuan.

The Chinese currency, lurching toward convertibility, had lost about one-third of its value in June amid mounting fears that inflation and economic growth were spinning out of control.

The central bank intervention in support of the battered yuan went unacknowledged for six days until local officials confirmed it on Sunday.

The yuan closed the week at about 9 to the dollar on the semi-official swap markets.

In another comment Sunday on the country's new economic direction, an official newspaper said China's export momentum will take a long time to recover from the financial crisis.

Exports contracted in the first quarter of 1993 because of higher export costs resulting from domestic price hikes. (AFP, Reuters, AP)

UNION: Slavic Troika Is Formed

Continued from Page 13
 and give themselves a mutual boost in the areas of production and trade.

While the membership issue raised serious questions about the future of the so-called commonwealth and future economic and political relations of the former Soviet republics, the prime ministers of the three Slavic states said they were pleased. "The signing of the treaty on deepening economic in-

tegration will be a history-making event for our states," Mr. Chernomyrdin said. "We are moving forward, integrating our economies in all respects."

"At last, common sense prevailed," said Mr. Keibich.

Mr. Kuchma introduced a section on respecting territorial integrity, which Interfax said was prompted by the Moscow parliamentary action on the Ukrainian port of Sevastopol. (Reuters, UPI)

MUTUAL FUNDS (Continued)

| Symbol | 100s | High | Low | Close | Net Chg |
|---------|------|------|------|-------|---------|
| Windsor | 10.2 | 10.2 | 10.2 | 10.2 | 0.00 |
| Windsor | 10.2 | 10.2 | 10.2 | 10.2 | 0.00 |
| Windsor | 10.2 | 10.2 | 10.2 | 10.2 | 0.00 |

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, July 9.

| Symbol | 100s | High | Low | Close | Net Chg |
|---------|------|------|-----|-------|---------|
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Ask | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |

| Symbol | 100s | High | Low | Close | Net Chg |
|---------|------|------|-----|-------|---------|
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Ask | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |

| Symbol | 100s | High | Low | Close | Net Chg |
|---------|------|------|-----|-------|---------|
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Ask | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |

| Symbol | 100s | High | Low | Close | Net Chg |
|---------|------|------|-----|-------|---------|
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Ask | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |
| AAW Bid | 1.2 | 1.2 | 1.2 | 1.2 | 0.00 |

New International Bond Issues

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes, Fixed-Coupons, and Equity-Linked.

The Clement Weather for Bonds Persists

Compiled by the Staff From Dispatches NEW YORK — Expectations of lower oil prices and moderate inflation should prove friendly for Treasury bond prices this week unless U.S. inflation data for June brings an unpleasant surprise, market participants said.

Prices of long-term Treasury bonds and notes inched higher last week, pushing yields to historic lows. Short-term notes eased slightly as investors switched out of them into longer instruments.

The market's bellwether security, the 7.125 percent 30-year Treasury, rose 10/32 over the week to close at 106 7/32.

The issue's yield, which moves in the opposite direction of its price, fell 2 basis points to 6.64 percent — its lowest closing level since the Treasury Department began offering 30-year notes regularly in 1977.

Commodity prices, which are considered an indicator of inflation for bond investors, eased late last week. As inflation expectations recede, investors demand less yield because a lower inflation rate enhances the return on fixed-rate securities.

The Week Ahead: World Economic Calendar, July 12 - 18

Table listing economic events by region: Asia-Pacific, Europe, Americas. Includes dates, times, and descriptions of events like trade fairs, conferences, and data releases.

THE CHANGES IN SOUTH AFRICA AND THE WORLD HAVE WIDENED THE CORPORATION'S HORIZONS AND OFFER THE PROSPECT OF A CHALLENGING AND DYNAMIC PERIOD OF RENEWED GROWTH.

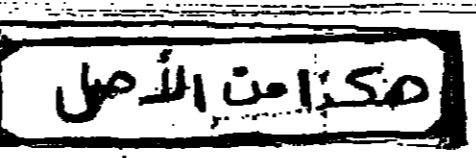
Points from the Chairman's Statement by Julian Ogilvie Thompson. Expansion and diversification maximize profit potential in good times and strengthen our resistance to adversity. The Corporation is re-establishing its links with African countries. It is also extending its international links, notably through Anglo American Corporation of South America which now has assets of more than US\$1 billion. It is now involved in 4 major copper projects in Chile and Peru. Collabusi, one of the most important in the world, has a potential output of over 300,000 tons of copper a year. With the Zebra project we are developing, in partnership with AEG and Daimler Benz, an environmentally clean high energy battery to power passenger vehicles in polluted inner city areas. A Mercedes equipped with a Zebra battery has covered more than 45,000 maintenance-free kilometres and other major car manufacturers have requested Zebras for their own vehicle test programmes. A development facility in Europe will be commissioned in September. The project demonstrates that industrial lead times can be as long as in mining and as dependent on a deep purse and steady vision. Our R764 million investment in Del Monte Royal Holdings extends our interests in the value added food business and will help to counter the cyclical nature of commodities. The new group, with the prestigious Del Monte brand name, is well placed to build on an already strong market position internationally and, in so doing, help expand the deciduous fruit industry in South Africa. Our international projects do not prejudice our investment programme in South Africa.

SHORT COVER

Bank to Suspend Assistance to EIE TOKYO (Reuters) — The Long-Term Credit Bank of Japan Ltd. has decided to suspend assistance to the financially troubled real estate developer EIE International Corp., a spokesman for the bank said Sunday. Other major Japanese banks, such as Mitsu Trust & Banking Co., Sanmei Credit Bank Ltd. are expected to follow with similar action. Jiji Press and the Kyodo news agency said. Loans to EIE, which invested in high-class hotels and restaurants in Australia and other Pacific countries in the late 1980s, reached 1 trillion yen (\$90 billion), Jiji said. Cambodia May Revise Foreign Deals BANGKOK (AFP) — The new Cambodian government may revise or cancel foreign investment contracts that work against the national interest, the Nation newspaper on Sunday quoted the country's finance minister as saying. "Unequal contracts where one party gets the lion's share at the expense of the national interest of Cambodia must be readjusted," Sam Rainsy told the English-language Bangkok daily. Paris Megastore Defies Sunday Ban PARIS (Reuters) — The huge Virgin-Megastore record-and-book emporium here defied on Sunday an official order to close in line with French law outlawing sabbath trading except for essential outlets such as food shops and pharmacies. The closure order by Paris authorities came at the end of a year's test period when the establishment had been allowed to remain open on Sundays. The store remained open throughout Saturday night, drawing thousands of shoppers who were treated to breakfast at daybreak. Commerce Minister Alain Madelin said closure orders in general would be reviewed. KIO to Appeal Madrid Court Ruling MADRID (Reuters) — Lawyers representing the Kuwait Investment Office in Spain said Saturday they would appeal a court ruling rejecting their criminal lawsuit against former executives of the government agency here. On Friday, a high court monetary crimes judge, Miguel Moreiras, dismissed the suit for a third time. It had alleged fraud and other crimes responsible for heavy losses, for a third time. The judge said Kuwait had not submitted any new proof. Continental Denies Goodyear Charge NEW YORK (Reuters) — General Tire Inc., owned by Continental AG, said it did not believe its recently introduced Hydro 2000 tire duplicates the footprint of Goodyear Tire & Rubber Co., as Goodyear has charged in a lawsuit. Goodyear has charged General with patent infringement in relation to Goodyear's Aquasport line.

FRANC: Turmoil in Store

Continued from Page 13 increase the pressure on Paris to stimulate its economy, the Bank of France may soon find it can no longer wait for a Bundesbank move to cut interest rates, analysts said. "The Bank of France is under pressure to lower rates, and people want to see whether the selling pressure on the French franc can force the Bundesbank to do the same," Ms. Finstrom said. "At this point, the market is clearly testing the Bundesbank's resolve to see if they will do anything to keep the currencies together." If Germany does not move along, this would send the French franc below its allowed minimum against the mark within the ERM and possibly force its departure from the European monetary club. That would be the end of the monetary grid. The mark ended the week at 3,408 francs, below its ceiling of 3,430. The consequences for global rate spreads and the dollar are difficult to predict, analysts said. Without German rate cuts, the mark may hold better against the dollar, but it could also end up suffering from further ERM chaos and a credibility crisis, they said. The dollar ended the week at 1.7225 DM. A key issue for the direction of global rate spreads will be the Bundesbank's ability to retain its credibility in the face of a dilemma. Mr. McGee further said many key investors are feeling that the tide has turned and that major central banks are reluctant to tackle inflation with the same stern approach of recent years. "There is a judgment among big money managers that deflationary forces that dominated investment trends in the last few years are being combated by central banks committed to getting their economies going," he said.



EC Gets Promise on Tokyo Deal

BRUSSELS — The United States has assured the European Community that a framework deal on trade Washington struck with Japan would not lead to a "carve-up" of markets or the exclusion of other trading partners, EC sources said on Sunday.

Japan and the United States, struggling to overcome trade frictions, reached an accord on Saturday on a framework for a new economic partnership that is aimed at correcting Japan's huge bilateral trade surplus.

Sources at the EC Commission in Brussels said the 12-nation Community was concerned that such deals might leave the Europeans out.

But they said Mickey Kantor, the U.S. trade representative, had given the commission assurances this would not happen.

"We will be watching very carefully to see if the deal means that access is open to all and we have had clear assurances that this will be the case," said one EC Commission source, who asked not to be identified.

G-7: Misunderstanding and Friction Expected Following Latest U.S.-Japan Trade Agreement

Continued from Page 1

goods such as supercomputers and satellites.

Talks to reform regulations that impede imports and direct investment.

Agreement on the framework, which had seemed unlikely just a week ago, became possible after Washington dropped its insistence on numerical targets, instead accepting a Japanese compromise proposal that so-called objective criteria be used to measure progress in market access.

Such criteria have yet to be agreed upon, but are likely to include changes in market shares, the number of foreign companies bidding for government contracts and the number of cases in which Japanese officials intervene to stop exclusionary business practices.

There are no specific targets, however, and no threat of U.S. retaliation for lack of progress.

The extent of mutual distrust was highlighted by the intention of both countries to prepare side letters that undermine the agreement, Japan, fearful that the United States will threaten to close its markets unless the trade surplus subsides and imports expand, will state it has the right to opt out of sectoral talks if Washington takes unilateral retaliatory action.

The United States, in contrast, will say it has the right to apply the

Super 301 clause of its 1988 trade act to sectors covered in the framework agreement. That law allows for tariffs of up to 100 percent on exports of a country that refuses to open its markets.

In the short term, however, the leaders of both countries should benefit, Mr. Clinton will claim a tangible accomplishment on his first overseas trip, one that will lead to an increase in jobs and business opportunities for Americans.

Mr. Miyazawa, whose government lost a confidence vote last month, will use the accord to argue that the governing Liberal Democratic Party is best placed to deal with the Americans. Many expect Sunday's general election to end the 38-year rule of Mr. Miyazawa's party.

The U.S.-Japan Framework for a New Economic Partnership

- **Macroeconomic Coordination**
 - Reduction of Japan's trade surplus
 - Reduction of the U.S. fiscal deficit
- **Sectoral and Structural Consultations and Negotiations**
 - Government procurement (including supercomputers, satellites, medical technology and telecommunications)
 - Regulatory reform and competitiveness (financial services, insurance, competition policy, transparent procedures and distribution)
 - Major sectors (including autos and auto parts)
 - Economic harmonization (foreign direct investment, intellectual property rights, technology transfer)
 - Implementation of existing arrangements
- **Cooperation on Global Issues**
 - Environment
 - Technology
 - Human resources
 - Population
 - AIDS
- **High-level Consultations**
 - Heads of government meetings twice a year

EBRD Official Faces Allegations Over Fees

BONN — The German vice president of the European Bank for Reconstruction & Development, Manfred Abelein, is expected to resign after allegations of exorbitant fees as a business adviser, the weekly magazine Der Spiegel reported.

According to the report to appear on Monday, Mr. Abelein was paid up to \$3.8 million with his colleague Werner Franz for their work as advisers to an auto company in the eastern part of Germany that is in financial trouble.

As one of the two of the bank's vice presidents, Mr. Abelein is forbidden to have outside business interests. The sum was well in excess of normal fees.

After being appointed to his bank post in 1991, Mr. Abelein became legal adviser to the Zwackmayer Sachsestering Auto Works, where he had previously held membership on the monitoring committee.

The two men paid back more than \$1.2 million last December after the intervention of the Treuhander, the organization charged with selling off former East German companies, the magazine said. It is the latest in a series of problems for the bank after Jacques Attali announced his resignation as president in June.

GERMANY: Selling Off the East's Companies Proves a Messy Process

Continued from Page 1

take back companies that it has already privatized, although in a few cases it has made exceptions.

Eighty percent of investors meet their obligations, in fact, but with evidence of abuses accumulating, the Treuhander recently announced an expansion of its audit staff to 550 from 350 by the end of the year.

In recent weeks, at least three cases have come to light involving unscrupulous investors who plundered their Eastern purchases for personal profit.

In one case, an Indian company, Dalmia, a subsidiary of a Malaysian company called 21st Century Oil, looted 9 million Deutsche marks (\$5.2 million) from a textile company in the state of Thuringia. The Treuhander asserts in a lawsuit seeking to reclaim the money.

Last Thursday, prosecutors said they were pursuing a Swiss investor who pocketed 8.5 million DM in Treuhander subsidies for the purchase of Baumaschinen AG Wetzlar, a construction equipment company, which now rests on the verge of bankruptcy. A hotel and a textile company bought by the same investor have already gone broke. "The Treuhander sold us down the river," said Hans Taska, general manager of the Wetzlow company.

Perhaps the most controversial aspect of late is the planned fusion of Mitteldeutsche Kali AG, a potash producer, with Kali & Salz AG, a big West German competitor. Since April, when the fusion was first discussed, workers have occupied one of the East German company's mines in Bischofferode to protest its closure, which was part of the deal. Another 40 workers have gone on a hunger strike.

Bernhard Vogel, premier of Thuringia, where Mitteldeutsche Kali is located, calls the fusion "a clear case of an East German company

being sacrificed for the sake of a West German company." A local politician has filed suit against the Treuhander for breach of trust.

Many entrepreneurs in the East, including those no longer directly involved with the Treuhander, describe an almost conspiratorial alliance of regional bureaucracies, banks and competitors making it impossible for them to stay afloat. The IWH economics research institute in Halle, in a June report, said there was reason to fear a "deindustrialization of the East German landscape."

"The construction mafia in West Berlin barely lets us breathe," said Dieter Hasler, director of Elektro-Anlagen-Bau Kleinmachnow GmbH, an electrical equipment maker based in Brandenburg.

Lothar Späth, chairman of Jenoptik GmbH, the former Carl Zeiss optical works, said, referring to West German competitors: "Our products are good, but we have no sales and service organizations. Who has them? The Westies, and they're keeping them."

As East Germans' patience with the problems and slow pace of change wears thin, politicians facing re-election next year are proving increasingly receptive to proposals for continuing government intervention.

A case in point is MuZ, a renowned Saxony motorcycle maker formerly known as Motorradwerk Zschopau, which Bonn last

Wednesday had to snatch from the jaws of ruin in a rescue that could set a precedent for other companies in need.

For months, MuZ, which has slashed its losses and won an award for innovative product design, had been counting on the state of Saxony to guarantee the firm's share of a \$1.6 million DM loan to finance a move to a new production site already under construction. "We'd checked everything a million times and were sure we'd get the guaran-

tee," recalled Anja Claus, the company's spokeswoman.

But the state, which had already spent 10 million DM on the company since its privatization by the Treuhander last year, unexpectedly turned down MuZ's request. The state had previously reserved such large sums for companies employing four times MuZ's 250 workers, noted Mr. Sagurna, the spokesman.

"We couldn't do it alone," he said.

When Saxony declared the aid plan a failure, bells went off in Bonn, which knew that MuZ's collapse would send shock waves throughout a region already devastated by deindustrialization. Johannes Ludwig, a senior economic adviser to Chancellor Helmut Kohl, called personally to demand an explanation and cautioned the prospect that Bonn would come through where Saxony would not.

Then, in the first such action on behalf of an East German company, the federal government agreed

to guarantee most of the loan itself after a heated, hastily arranged meeting with bankers and company and state officials in Bonn.

While relieved at his company's rescue, Petr-Karel Korous, MuZ's chairman, called Saxony's handling of the case "a lousy trick."

Mr. Sagurna denied that Saxony had gambled with MuZ's fate. "It's a company that we've been thinking about more intensively than any other in the last two years," he said. "We're absolutely interested in seeing it survive."

But, he added: "We said 'no' in order to force others into action and our wager paid off."

Peter Diitrich, a consultant to Atlas, a mini-Treuhander set up by the state of Saxony to salvage 140 unsold Treuhander companies, defended government intervention as a growing political necessity. "There are some areas that would have 70 percent unemployment if these companies died," he said.

Mr. Sagurna cited MuZ as an example of state support with a purpose. "If you compared a Trabi with a Goli," he said, referring to East Germany's failed attempt to copy the Volkswagen people's car, "it was safe to say the Trabi wouldn't survive competition. But if you compare an MuZ with a western motorcycle, you would probably conclude that it's a good motorcycle that's worth building."

But Mr. Späth, of Jenoptik, ridiculed the government's plans to salvage "industrial cores" in the East. He said it was a sop to East Germans "to call everything that's left an industrial core."

Rather than nurture unprivatized East German industries back to competitive health, which is no guarantee of market success, the Treuhander should stick to its original mission of selling off companies at any cost, critics say.

Euromarts At a Glance

Eurobond Yields

| | July 8 | July 7 | Yr High | Yr Low |
|----------------------|--------|--------|---------|--------|
| U.S. 3 1/2 note | 6.34 | 7.17 | 8.12 | 6.30 |
| U.S. 3 1/2 note term | 6.80 | 6.76 | 7.88 | 6.64 |
| U.S. 3 1/2 note term | 5.71 | 5.91 | 6.59 | 5.67 |
| Pennsylvania | 7.32 | 7.39 | 8.36 | 7.16 |
| French francs | 7.10 | 8.03 | 8.76 | 6.86 |
| Italian lire | 7.40 | 8.36 | 12.56 | 6.68 |
| Dutch krona | 7.70 | 8.91 | 10.41 | 6.93 |
| Swedish krona | 6.97 | 8.23 | 11.32 | 6.79 |
| ECU 3 1/2 note term | 7.24 | 8.84 | 10.34 | 7.22 |
| ECU 3 1/2 note term | 7.17 | 7.81 | 8.82 | 6.99 |
| Can. 5 | 7.22 | 7.44 | 8.48 | 7.39 |
| Auss. 5 | 7.06 | 7.44 | 8.29 | 7.00 |
| N.Z. 5 | 7.48 | 7.50 | 8.23 | 7.30 |
| Yap | 4.61 | 5.67 | 5.88 | 3.76 |

Source: Luxembourg Stock Exchange.

Weekly Sales

Libor Rates

| | 1-month | 3-month | 6-month |
|---------------|---------|---------|---------|
| U.S. 1 | 3.17% | 3.51% | 3% |
| Deutsche mark | 7% | 7% | 7% |
| French franc | 6 1/8% | 5 1/8% | 5 1/8% |
| ECU | 8 1/8% | 7% | 7 1/8% |
| Yap | 3% | 3% | 3 1/8% |

Source: Lloyds Bank, Reuters.

EC Finance Ministers Study Single-Currency Timetable

Continued from Page 13

many meeting the Maastricht budget target by 1996.

The commission also is dissatisfied with London's inflation-fighting strategy, which has relied on an ill-defined mix of money-supply targets and movements in the exchange rate and asset prices since Britain withdrew from the exchange-rate mechanism of the European Monetary System last September. "There's no commitment to go into the ERM," the official said.

Britain has vowed to remain out of the currency grid for the foreseeable future because its need for low interest rates to spur a recovery is incompatible with pegging the pound to the Deutsche mark, which would require higher rates.

The British official said none of the country's EC partners are calling for the pound to be brought back into the exchange-rate mechanism quickly because it would risk a new round of currency instability.

That is certainly the case following the renewed pressure on the French franc last week.

EC officials and central bankers have enough to do fighting off speculators and assuring that Paris resists the temptation to float the franc and cut interest rates to think about the pound's re-entry into the currency grid.

The finance ministers will neither approve or reject Britain's convergence program because they will not have any power over a member's budget policy until the second phase of plans for economic and monetary union, which is due to start on Jan. 1. They will debate technical procedures for monitoring economic performance later on, including having all convergence programs extended through the end of 1996 and using common statistical methods for measuring inflation and budget deficits.

Separately, ministers will discuss commission proposals for doing out new funds for fighting the recession.

These include 1 billion European currency units (\$1.136 billion) to be used as interest-rate subsidies for small- and medium-sized enterprises, and the advance lending of an extra 5 billion Ecu in aid for poorer regions.

Ministers also were expected to approve a proposal to increase duty-free allowances for travelers to 90 Ecu for trips between EC countries and to 175 Ecu for people entering the Community from outside.

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Last Week's Markets

All figures are as of close of trading Friday.

| United States | July 9 | July 2 | Change |
|----------------|----------|----------|---------|
| DJ Industrials | 3,251.86 | 3,482.97 | + 1.26% |
| S&P 500 | 240.25 | 244.12 | + 0.79% |
| DJ Trans. | 1,509.16 | 1,552.23 | - 2.77% |
| S&P 100 | 413.75 | 411.09 | - 0.59% |
| S&P 500 | 446.10 | 443.64 | + 0.57% |
| S&P 100 | 59.27 | 59.27 | + 0.20% |
| NYSE Comp | 248.09 | 247.12 | + 0.39% |

| Money Rates | July 9 | July 2 | Change |
|--------------------|---------|--------|--------|
| Discount rate | 1.00 | 1.00 | 0.00 |
| Prime rate | 4.00 | 4.00 | 0.00 |
| Federal funds rate | 2.15/16 | 3% | 0% |

| Foreign | July 9 | July 2 | Change |
|-------------|--------|--------|--------|
| Japan | 161.96 | 161.96 | 0% |
| Germany | 1.64 | 1.64 | 0% |
| France | 1.64 | 1.64 | 0% |
| Italy | 1.64 | 1.64 | 0% |
| Netherlands | 1.64 | 1.64 | 0% |
| Spain | 1.64 | 1.64 | 0% |
| Switzerland | 1.64 | 1.64 | 0% |
| Sweden | 1.64 | 1.64 | 0% |
| Denmark | 1.64 | 1.64 | 0% |
| Belgium | 1.64 | 1.64 | 0% |
| Australia | 1.64 | 1.64 | 0% |
| New Zealand | 1.64 | 1.64 | 0% |

Impending tragedy in Sarajevo

G7 accord still in doubt

The ailing airline industry
Moscow-Tokyo relations
Russian economic reforms

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| France | 3,400 | 1,800 | 700 |
| Germany (mail) | 1,950 | 1,079 | 590 |
| Germany (mail) - hand delivery | 2,000 | 1,129 | 640 |
| Great Britain | 850 | 479 | 260 |
| Greece | 210 | 115 | 65 |
| Ireland | 75,000 | 41,000 | 22,000 |
| Italy | 230 | 125 | 68 |
| Japan | 500,000 | 275,000 | 150,000 |
| Luxembourg | 14,000 | 7,700 | 4,200 |
| Netherlands | 770 | 420 | 230 |
| Norway | 3,500 | 1,900 | 1,050 |
| Portugal | 47,000 | 25,000 | 14,000 |
| Spain | 48,000 | 26,500 | 14,500 |
| Switzerland | 55,000 | 27,500 | 14,500 |
| Sweden (mail) | 3,100 | 1,700 | 900 |
| Sweden (mail) - hand delivery | 3,500 | 1,900 | 1,000 |
| Switzerland | 610 | 335 | 185 |
| Rest of Europe, N. Africa, former French Africa, Middle East | 630 | 345 | 190 |
| Gulf States, Asia, Central and South America | 780 | 430 | 235 |
| Rest of Africa | 900 | 495 | 270 |

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93 IHT

MONDAY SPORTS BASEBALL

One Open Won, Parnevik Eyes British Title

Compiled by Our Staff From Dispatches SANDWICH, England — Jesper Parnevik, having won the Scottish Open, believes he will do well in this week's British Open, if his celebrations don't go too long.

"When I play well I usually play well for a while," he said, having avoided the need to qualify for the Open. Then he added: "The Open? I don't know. It depends on how much I celebrate. I could even miss my tee-off time!"

Stewart, the former U.S. Open champion who revealed Friday that he has an enlarged heart condition, shot 69. Gary Orr of Scotland carded 64 for one of the best rounds of the week and tied José Rivera of Spain at 278.

Parnevik, 28, who is from Danderyd, near Stockholm, took a seven-shot lead into the final round and quickly put the issue beyond doubt with birdies at the first two holes.

Of the celebrations with his girlfriend Mia, he said, "She doesn't play golf. That would be too much. It is enough with one loony. You really go crazy playing golf. There are not too many sane people on tour. I can tell you."

Dillard Pruitt scorched the course in sunny Williamsburg, Virginia, with birdies on nine of his first 13 holes to vault into a one-shot lead over John Adams going into Sunday's final round of the Anheuser-Busch Golf Classic.

Adams shot a 3-under 68. Lanny Wadkins, who like Pruitt birdied the first four holes and made the turn in 30, had only one birdie on the back nine, for a 64 that put him two shots back.

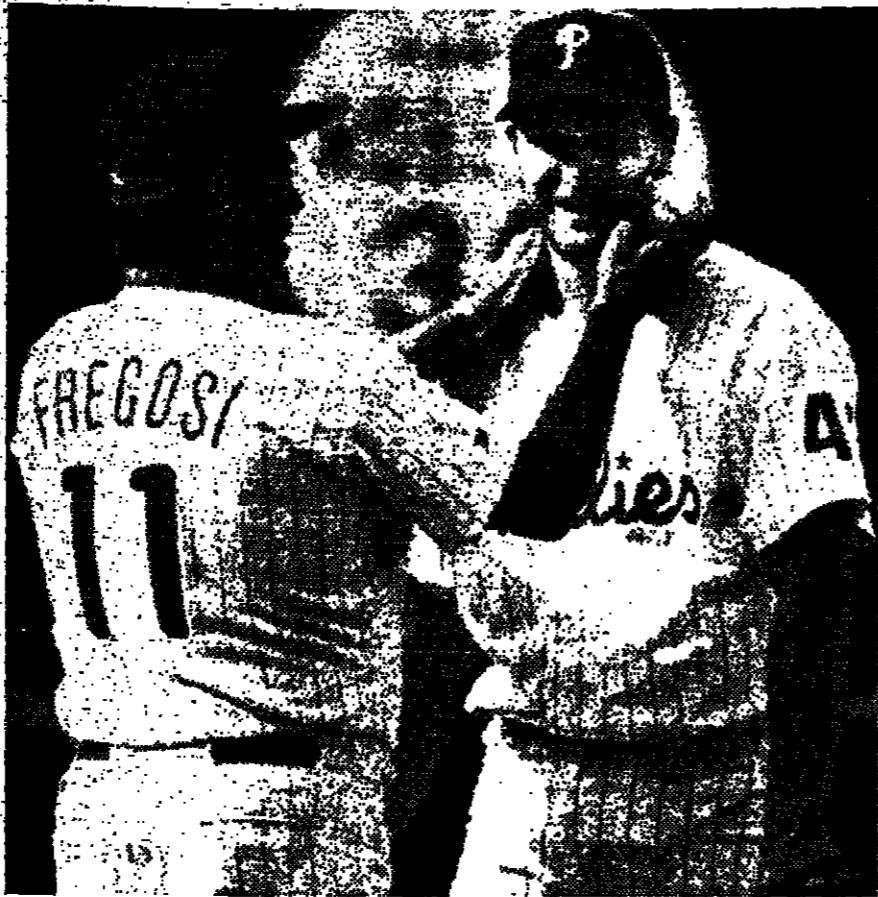
With two birdies that both closed out his third round and evoked his prime, Jack Nicklaus took a one-shot lead into Sunday's last round of the 14th U.S. Senior Open.

"I would think if I play halfway decent tomorrow, I'm going to go to the British Open," he said Saturday. "I don't want to be playing badly. If I'm backing it around, I don't want to go over there and take a spot from a young kid. That's not right. But if I'm playing well and I can be competitive, then I want to go."

Nicklaus, 53, who has not won an official event since this championship in 1991, shot 4-under-par 67 at Inglewood, Colorado.

Dale Douglass, the 1986 champion who with six birdies shot 68 in second place. Second-round leader Chi Chi Rodriguez, plagued by three bogeys in a row starting at the 13th hole, fell back, and Isao Aoki, who was a stroke behind Rodriguez, had even more trouble as his vaunted putting stroke deserted him.

Karen Luna, 27, who was born in Australia and lives London, rolled in a 10-foot putt for eagle on the closing hole of her third round and was tied with Missie McGeorge entering the final round of the Youngstown-Warren LPGA Classic in Howland, Ohio. (Reuters, AP, AFP)



Pitcher Tommy Green got a warm welcome from the Phillies' manager, Jim Fregosi, after an 8-3 victory over the Giants. Mickey Morandini hit a grand slam homer to help Green.

Thomas Lifts Chisox Past Orioles

The Associated Press Frank Thomas hit two homers and drove in five runs and Jack McDowell became the American League's first 13-game winner Sunday as the Chicago White Sox beat the Orioles, 11-5, in Baltimore.

Bo Jackson had three RBIs and Ozzie Guillen also homered for the White Sox, who reached the All-Star break atop the AL West for the first time since 1984.

Thomas hit a three-run homer in the first inning and a two-run drive in the seventh, giving him 20. McDowell, Chicago's other player in Tuesday's All-Star game, allowed five runs and 10 hits in 7 1/2 innings.

McDowell (13-6) struck out four and walked two in ending a personal two-game losing streak. Roberto Hernandez got the last five outs.

Chicago ruined starter Jamie Moyer's 17-inning shutout streak four pitches into the game. Steve Sax singled on a 1-0 pitch, Craig Grebeck got a bunt single and Thomas followed with his 19th homer.

Baltimore closed to 3-2 in the fourth when Harold Baines walked and Cal Ripken hit his 12th homer. But Chicago added two runs in the fifth when Moyer walked the bases loaded with two outs and Jackson lined a two-run single to left.

Thomas's second homer and a sacrifice fly by Jackson made it 8-2

in the seventh, and Guillen's two-run homer highlighted Chicago's three-run eighth. Baines homered, Chris Hoiles hit an RBI double and Brady Anderson hit a run-scoring single in the bottom half.

Rangers 11, Blue Jays 6: Ivan Rodriguez, Julio Franco and Dean Palmer hit two-run homers to power Texas to a sweep of the four-game series in Toronto.

The victory was the Rangers' eighth in nine games, while the loss

was the 10th in 11 games for the Blue Jays.

Charlie Leibrandt beat the Blue Jays for the first time since May 5, 1987, allowing six runs on 10 hits over 6 1/2 innings.

Brewers 5, Twins 4: Cal Eldred won for the first time in three weeks and the Brewers won a series for the first time in a month, beating Minnesota behind Kevin Reimer's three-run homer in Milwaukee.

Eldred, winless in four starts, allowed seven hits as the Brewers won three of four in the series between last-place teams. He was replaced by Jesse Orosco after allowing a leadoff double by Kirby Puckett in the eighth.

Reimer hit a three-run homer, his 13th, after singles by Hamilton and Robin Yount off Willie Banks in the first.

In games played Saturday: Tigers 9, Royals 8: Dan Gladden hit a grand slam and Tony Phillips had a two-run single, offsetting four Kansas City homers as visiting Detroit won.

Phillips' single off Bill Sampen capped a three-run seventh inning and put the Tigers back on top 9-7 after Kansas City had scored five in the sixth to take a 7-6 lead.

Rangers 10, Blue Jays 7: Dean Palmer drove in five runs and hit his 20th home run to guarantee Texas its most successful road trip in 14 years.

The Rangers, 8-2 with one game remaining on the trip, hadn't won eight games on a trip since September 1979.

Orioles 6, White Sox 0: Fernando Valenzuela allowed Chicago only two hits in eight innings in Baltimore, and Chris Hoiles homered for the fourth time in four games and 10th in 20.

Valenzuela struck out three, walked four and extended his string of shutout innings to 23. Cal Ripken of the Orioles got his 2,000th career hit, a single in the second inning.

Red Sox 5, Athletics 0: Rookie Aaron Sele pitched four-hit ball over five innings and reliever Greg Harris escaped a no-out, bases-loaded jam by striking out the side as Boston won in Oakland.

Brewers 5, Twins 4: Greg Vaughn lined a bases-loaded single with one out in the ninth to drive in the winning run as Milwaukee scored twice in the inning to beat visiting Minnesota.

Angels 4, Yankees 2: In Anaheim, California, Russ Springer got his first major-league victory by holding his former team in check for 3 1/2 innings as California prevented New York from moving into a tie for first in the AL East.

Mariners 7, Indians 6: Jay Buhner homered to center with one out in the ninth to give Seattle the victory over visiting Cleveland.

Caneoco Has Surgery More than a month after his major-league pitching debut, the Texas Rangers' outfielder, Jose Caneoco, underwent what doctors said was successful surgery on his right elbow, the Associated Press reported.

Caneoco will be out for the rest of the season, but should be ready for spring training, the Rangers said. The surgery was performed Friday in Los Angeles by Frank Jobe, the Dodgers' doctor.

One Fence Later, Cubans Have Lost Another Pitcher

Compiled by Our Staff From Dispatches BUFFALO, New York — More political intrigue has infiltrated the World University Games.

Two years to the day that one of his baseball-playing countrymen defected, a Cuban pitcher disappeared Saturday, minutes before his team was to play Taiwan at St. Magie Stadium in nearby Niagara Falls.

Ediberto Oropesa, 23, left the team before the game, according to Cuba's assistant coach, Dimnas Rene Bello, by climbing a 10-foot (1-meter) fence and getting into a blue car that sped off.

Neither Bello nor the U.S. Immigration and Naturalization Service could confirm that Oropesa was attempting to defect.

John Ingham, district director for the service, said Oropesa had not contacted police or immigration authorities to seek political asylum.

"What can we do about it?" Bello said. "We'll still win the gold, anyway. These are things that happen." These are the first World University Games to be staged in the United States. Cuban teams often play in this country, however, and only one baseball player, René Arocha, now pitching for the St. Louis Cardinals, has defected during an American visit. Arocha did so in Miami on July 10, 1991. (AP, Reuters)

Giants Rout Phillies to Win Matchup of Leaders

The Associated Press Barry Bonds hit a two-run double, giving him nine RBIs in the series, and the San Francisco Giants beat the Phillies, 10-2, on Sunday in Philadelphia to take three games in the matchup of division leaders.

San Francisco had 41 runs and 68 hits in the four games, including 18 hits Sunday. Steve Scarsone, subbing for the injured Matt Williams, was 10 for 19, including four hits and two RBIs on Sunday. Royce Clayton and Dave Martinez each drove in two runs.

An RBI double by Martinez and Clayton's two-run single put the Giants ahead 3-0 in the first. Darren Daulton hit an RBI groundout in bottom half, but San Francisco boosted it to 6-1 in the fourth on Bonds' two-run double and an RBI single by Martinez.

John Kruk hit his ninth homer in the fifth. The Giants scored four in the seventh on Scarsone's two-run double. Paul Faries' RBI triple

and Darren Lewis's run-scoring single.

Pirates 3, Reds 2: Rob Dibble walked pinch-hitter Don Slaught with the bases loaded in the ninth inning, giving Pittsburgh the victory over visiting Cincinnati.

Dave Clark and Jeff King singled off Jeff Reardon, Kevin Young struck out trying to bunt, and pinch-hitter Tom Foley reached based on Reardon's fielding error, leading the bases. Dibble relieved and walked Slaught on five pitches.

Rockies 4, Cardinals 1: Armando Reynoso allowed five hits in seven-plus innings as Colorado won in St. Louis and kept the Cardinals from moving up on Philadelphia in the NL East.

St. Louis could have moved four games behind the division-leading Phillies, who lost to San Francisco. Astros 10, Cubs 1: Mark Portu-

gal and two relievers combined on a three-hitter, and Eric Anthony hit a three-run homer in a six-run sixth as Houston Astros won in Chicago.

Portugal allowed one run and two hits, struck out four and walked five in seven-plus innings. Tom Edens finished the eighth and Doug Jones pitched a one-hit ninth.

Expos 5, Padres 4: Marquis Grissom drove home the go-ahead run with a disputed infield hit in the eighth as Montreal beat visiting San Diego for a four-game sweep.

In games played Saturday: Phillies 8, Giants 3: Mickey Morandini drove in a career-high five runs with a go-ahead single and a grand slam as Philadelphia beat visiting San Francisco in the matchup of division leaders.

Mets 7, Dodgers 6: Bret Saberhagen got his first victory over a nonexpansion team this season, but not before New York survived shaky relief pitching.

Anthony Young, who holds the major-league record for consecu-

ive losses with 26, gave up four hits to as many batters and allowed three runs in visiting Los Angeles' five-run eighth. He left without a victory, or a loss.

Mariners 5, Braves 2: In Miami, Alex Aris drove in three runs and Florida snapped a seven-game losing streak by beating All-Star Tom Glavine and Atlanta.

Expos 3, Padres 2: Moises Alou walked with the bases loaded and one out in the ninth to cap a two-run rally off San Diego's Gene Harris in Montreal.

Cardinals 9, Rockies 3: Brian Jordan went 4-for-4 with a two-run home run and Mark Whiten added a three-run homer as St. Louis ended visiting Colorado's longest-ever victory string at four.

Astros 4, Cubs 0: Astros 5, Cubs 2: Pete Harnisch pitched his first career one-hitter in the opener and Luis Gonzalez drove in six runs, including two homers, in the doubleheader as Houston earned the sweep in Chicago.

Reds 10, Pirates 7: Joe Oliver and Gary Varsho each hit two-run homers as Cincinnati spotted the Pirates a five-run lead in the second inning, then rallied.

Surgery Set for Smiley John Smiley, the Reds' \$118 million free-agent disappointment, will undergo arthroscopic surgery in two weeks to remove a bone spur from his left elbow it is uncertain how long he will be unable to play.

Smiley, 34 with a 5.62 ERA in 18 starts, was booted in Cincinnati during his last start, July 2.

The Cardinals' first baseman, Gregg Jefferies, was added to the National League All-Star team on Saturday, taking the spot of the injured San Francisco second baseman Rob Thompson.

Tim Wakefield, the knuckleballer who almost pitched Pittsburgh into the World Series last year as a rookie, was demoted to Class AA Carolina as the Pirates retooled their pitching staff.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, July 8.

(Continued)

Table with columns for stock symbols, prices, and market data. Includes sub-sections for 'MIDCAPS' and 'NASDAQ-100'.

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MONDAY SPORTS GRAND PRIX

Prost Storms to a Record 50th Victory

The Associated Press
SILVERSTONE, England — Alain Prost of France became the first driver to win 50 Formula One races Sunday when he stormed to victory in the British Grand Prix and increased his lead in this year's championship standings.

Prost was handed the lead on lap 42 when his Williams Renault teammate, Damon Hill of Britain, crawled to a halt with smoke and flames coming from a blown engine. The lap before Hill had set a lap record.

From that point, Prost, a three-time world champion, effectively had only Michael Schumacher, in a Benetton Ford, to worry about.

The German cut Prost's lead to 3.4 seconds with 10 laps to go, but Prost won by 7.660 seconds.

"This is not the way I wanted to win my 50th Grand Prix," Prost said. "I know the British crowd were disappointed for Damon. I would like to have won the race in different circumstances."

Ayrton Senna of Brazil, another former three-time world champion, seemed headed for third place in a McLaren Ford before he slowed to a halt on the final lap

and placed fifth behind Riccardo Patrese, in a Benetton Ford, and Johnny Herbert in a Lotus Ford.

It was another disastrous day for Senna's rookie teammate, Michael Andretti of the United States.

The former Indy car champion again failed to get past the first bend, sliding off the track after passing two cars in a fast start.

Prost, who has won six Grand Prix this season, now holds a 20-point lead in the drivers' championship. He has 67 and his nearest challenger, Senna, has 47.

In an eventful 59 laps at Silverstone, Hill and Senna both made stunning starts, during that Prost, who had the pole position, and Andretti slid off at the first bend trying to overtake on the outside.

"It was actually my best start of the season," he said. "But everybody went on the inside and I decided to go and try and get through on the outside. They were going too fast and they all came really high on the bend and it was me who went on to the marbles. And that was it."

Hill opened up an eight-second lead while Prost and Schumacher both had

problems overtaking Senna in the early stages.

Prost was first to get past, on lap 7, and Schumacher made it two laps later.

It then became a Williams Renault duel between Hill and Prost, with the Frenchman cutting the Englishman's lead to less than a second by lap 37.

But a safety car came onto the track as Luca Badoer's BMS Lola Ferrari was being hauled off, and the drivers still on the track, unable to overtake, closed up.

When the safety car left the track, the Hill-Prost battle continued until Hill's engine failed.

The disconsolate English driver, whose world champion father, Graham Hill, never won the British Grand Prix, clambered out of the car and leaned against the barrier with his arms folded.

"I just feel empty really," Hill said. "I don't know how else to put it. It's infuriating more than anything. You do everything right. You do your job. You do everything you possibly can to make it happen and then something else goes wrong."

The lap before he came a halt, Hill had posted a lap record of 1 minute 22.515

seconds, averaging 141.674 mph (228.002 kph).

"I knew his problem," Prost said. "I was wondering if he was putting too many revs or something."

Tracy Wins Cleveland Prix
 Paul Tracy slipped past Nigel Mansell on the 15th lap and led the rest of the way in the Cleveland Grand Prix on Sunday, outrunning his Penske teammate Emerson Fittipaldi and Mansell for his second career IndyCar victory.

Tracy had won the pole but lost the advantage to Mansell immediately, while several cars further back in the field collided on the hairpin turn at the start. No serious injuries were reported.

After a five-lap caution flag was lifted, Tracy soon regained the lead from Mansell on that same hairpin turn and led for the rest of the 85-lap race to win by 18.09 seconds.

Mansell, the IndyCar points leader entering the race, was hampered by a sprained right wrist sustained when he fell the steps leading to a media interview trailer Saturday.



Damon Hill kicks a tire while others put out the flames after his car blew an engine when he was in the lead.

SCOREBOARD

Major League Standings

AMERICAN LEAGUE

East Division

| Team | W | L | Pct. |
|-----------|----|----|------|
| Toronto | 49 | 39 | .557 |
| Detroit | 47 | 40 | .542 |
| New York | 47 | 40 | .542 |
| Baltimore | 47 | 40 | .542 |
| Boston | 44 | 42 | .514 |
| Cleveland | 42 | 44 | .488 |
| Minnesota | 36 | 49 | .423 |

West Division

| Team | W | L | Pct. |
|-------------|----|----|------|
| Chicago | 42 | 50 | .457 |
| Los Angeles | 42 | 50 | .457 |
| Seattle | 42 | 50 | .457 |
| Oakland | 38 | 45 | .457 |
| Minnesota | 38 | 45 | .457 |

NATIONAL LEAGUE

East Division

| Team | W | L | Pct. |
|--------------|----|----|------|
| Philadelphia | 57 | 31 | .648 |
| St. Louis | 47 | 40 | .542 |
| Montreal | 47 | 40 | .542 |
| Chicago | 47 | 40 | .542 |
| Pittsburgh | 41 | 46 | .471 |
| Florida | 37 | 49 | .430 |
| New York | 37 | 49 | .430 |

West Division

| Team | W | L | Pct. |
|---------------|----|----|------|
| San Francisco | 58 | 30 | .659 |
| Atlanta | 49 | 39 | .557 |
| Houston | 47 | 40 | .542 |
| Los Angeles | 47 | 40 | .542 |
| Cincinnati | 45 | 42 | .519 |
| San Diego | 42 | 45 | .483 |
| Colorado | 35 | 47 | .426 |

Friday's Line Scores

AMERICAN LEAGUE

Texas 000 002 2-9 9
 Toronto 000 000 10-2 7
 Detroit 000 000 11-2 9
 Montreal 000 000 11-2 9
 Chicago 000 000 11-2 9
 Pittsburgh 000 000 11-2 9
 Florida 000 000 11-2 9
 New York 000 000 11-2 9
 San Francisco 000 000 11-2 9
 Atlanta 000 000 11-2 9
 Houston 000 000 11-2 9
 Los Angeles 000 000 11-2 9
 Cincinnati 000 000 11-2 9
 San Diego 000 000 11-2 9
 Colorado 000 000 11-2 9

NATIONAL LEAGUE

Philadelphia 000 000 11-2 9
 St. Louis 000 000 11-2 9
 Montreal 000 000 11-2 9
 Chicago 000 000 11-2 9
 Pittsburgh 000 000 11-2 9
 Florida 000 000 11-2 9
 New York 000 000 11-2 9
 San Francisco 000 000 11-2 9
 Atlanta 000 000 11-2 9
 Houston 000 000 11-2 9
 Los Angeles 000 000 11-2 9
 Cincinnati 000 000 11-2 9
 San Diego 000 000 11-2 9
 Colorado 000 000 11-2 9

Japanese Leagues

Central League

| Team | W | L | Pct. |
|-----------|----|----|------|
| Yokohama | 23 | 27 | .461 |
| Hiroshima | 23 | 27 | .461 |
| Yokohama | 23 | 27 | .461 |
| Chunichi | 23 | 27 | .461 |
| Yamaguchi | 23 | 27 | .461 |
| Hanshin | 23 | 27 | .461 |

Pacific League

| Team | W | L | Pct. |
|------------|----|----|------|
| Saitama | 22 | 28 | .439 |
| Nippon Ham | 22 | 28 | .439 |
| Kiushu | 22 | 28 | .439 |
| Orix | 22 | 28 | .439 |
| Lotte | 22 | 28 | .439 |
| Daiei | 22 | 28 | .439 |

British Grand Prix

Results Sunday from the 59-lap race:

1. Prost, Williams Renault, 1 hr 22.515 sec.

2. Hill, Williams Renault, 1 hr 22.515 sec.

3. Senna, McLaren Ford, 1 hr 22.515 sec.

4. Patrese, Benetton Ford, 1 hr 22.515 sec.

5. Herbert, Lotus, 1 hr 22.515 sec.

Swedish Open

Results Sunday from the 59-lap race:

1. Prost, Williams Renault, 1 hr 22.515 sec.

2. Hill, Williams Renault, 1 hr 22.515 sec.

3. Senna, McLaren Ford, 1 hr 22.515 sec.

4. Patrese, Benetton Ford, 1 hr 22.515 sec.

5. Herbert, Lotus, 1 hr 22.515 sec.

Transactions

BASEBALL

AMERICAN LEAGUE

PHILADELPHIA — Philadelphia traded Paul Carey, first baseman, to Chicago, for Steve Buechele, pitcher, and Scott Thayer, pitcher.

ST. LOUIS — St. Louis traded Paul Abaiter, pitcher, to Chicago, for Steve Buechele, pitcher, and Scott Thayer, pitcher.

NATIONAL LEAGUE

HOUSTON — Houston traded Rich Portner, outfielder, to Toronto, for Steve Buechele, pitcher, and Scott Thayer, pitcher.

ST. LOUIS — St. Louis traded Paul Abaiter, pitcher, to Chicago, for Steve Buechele, pitcher, and Scott Thayer, pitcher.

Scoreboard

AMERICAN LEAGUE

East Division

| Team | W | L | Pct. |
|-----------|----|----|------|
| Toronto | 49 | 39 | .557 |
| Detroit | 47 | 40 | .542 |
| New York | 47 | 40 | .542 |
| Baltimore | 47 | 40 | .542 |
| Boston | 44 | 42 | .514 |
| Cleveland | 42 | 44 | .488 |
| Minnesota | 36 | 49 | .423 |

West Division

| Team | W | L | Pct. |
|-------------|----|----|------|
| Chicago | 42 | 50 | .457 |
| Los Angeles | 42 | 50 | .457 |
| Seattle | 42 | 50 | .457 |
| Oakland | 38 | 45 | .457 |
| Minnesota | 38 | 45 | .457 |

NATIONAL LEAGUE

East Division

| Team | W | L | Pct. |
|--------------|----|----|------|
| Philadelphia | 57 | 31 | .648 |
| St. Louis | 47 | 40 | .542 |
| Montreal | 47 | 40 | .542 |
| Chicago | 47 | 40 | .542 |
| Pittsburgh | 41 | 46 | .471 |
| Florida | 37 | 49 | .430 |
| New York | 37 | 49 | .430 |

West Division

| Team | W | L | Pct. |
|---------------|----|----|------|
| San Francisco | 58 | 30 | .659 |
| Atlanta | 49 | 39 | .557 |
| Houston | 47 | 40 | .542 |
| Los Angeles | 47 | 40 | .542 |
| Cincinnati | 45 | 42 | .519 |
| San Diego | 42 | 45 | .483 |
| Colorado | 35 | 47 | .426 |

Sidelines

Agassi Fired by His Coach, Bolletieri

NEW YORK (AP) — Since bizarre behavior and Zen moments seem to be his trademarks, it didn't come as a great surprise that Andre Agassi, in a polar twist on the usual severance methods for coach-player associations, has been fired by his longtime mentor, Nick Bolletieri.

"He's based in Vegas. I'm at the academy in Bradenton and there's a space between us," Bolletieri said Friday. "It's not like it used to be. Whether he'll ever reach his greatest potential, no one knows."

The "space" between the Florida-based Bolletieri and his star pupil, had apparently grown so great that the 61-year-old coach elected to send Agassi his pink slip by letter. Agassi has been taking his tennis questions to John McEnroe on an ad hoc basis ever since together they helped win last year's Davis Cup title for the United States.

Auto Racing

British Grand Prix

Results Sunday from the 59-lap race:

1. Prost, Williams Renault, 1 hr 22.515 sec.

2. Hill, Williams Renault, 1 hr 22.515 sec.

3. Senna, McLaren Ford, 1 hr 22.515 sec.

4. Patrese, Benetton Ford, 1 hr 22.515 sec.

5. Herbert, Lotus, 1 hr 22.515 sec.

Dennis the Menace



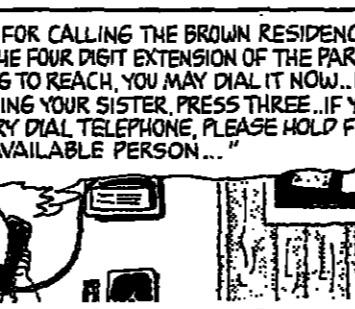
Peanuts



Calvin and Hobbes



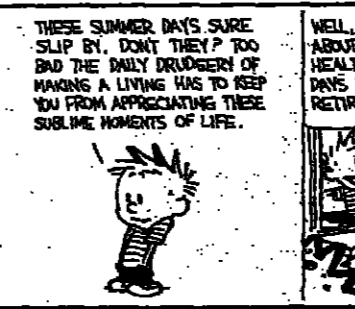
Wizard of Id



Beetle Bailey



Doonesbury



Garfield



Jumble

JUMBLE

Unscramble these 100 jumbles and win a prize.

GUBEN

KULFE

PYGINT

HARPON

The first thing you plant in your garden.

Put answer here: _____

Blondie



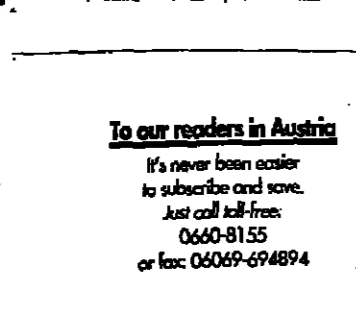
Rex Morgan



Garfield



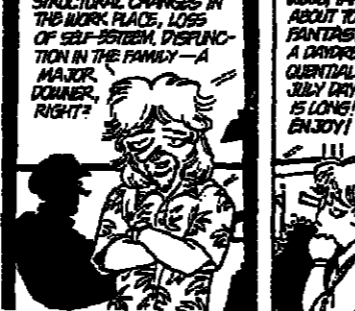
Doonesbury



Garfield



Garfield



Garfield



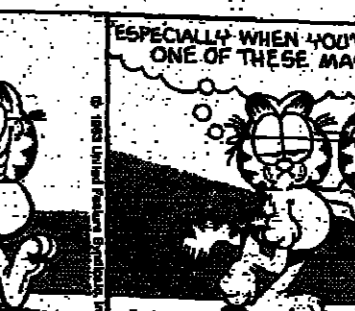
Garfield



Garfield



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Garfield



MONDAY SPORTS CYCLING

Eydelie And Judge Meet Again

Marseille Player Requested Session

VALENCIENNES, France — Jean-Jacques Eydelie, the Marseille soccer player at the center of the match-rigging allegations, at his own request met Sunday with the investigating judge as the case took another surprising twist.

Eydelie, named by three Valenciennes players as the man who offered them a bribe to throw a French league match on May 20, has maintained his innocence and did not change his story in a 6½-hour confrontation with his accusers Friday in the judge's chambers.

The investigating judge, Bernard Befly, again spoke with Eydelie for 45 minutes on Sunday but declined to comment afterward.

Judicial sources said Eydelie had requested an urgent meeting with the judge on Saturday night.

Befly had questioned the player's wife, Christine, for three hours on Saturday morning.

She disappeared when her husband reported to the police last month, then was found Thursday staying with a friend in Nantes and taken to Valenciennes to see Befly. She has asked for police protection.

The public prosecutor, Eric De Montgolfier, said the story she told Befly on Saturday differed substantially from her husband's version and could be "decisive."

Her husband, in custody since June 29, is one of five people being investigated for corruption.

The others are Marseille's general manager, Jean-Pierre Bernès, the Valenciennes players Jorge Burruchaga and Christophe Robert, and Robert's wife, Marie-Christine.

The Polish Soccer Association stripped Legia Warsaw of the national title on Saturday, citing "irregularities" during the last round of league matches, the Associated Press reported from Warsaw.

The association also took away two points from the runner-up, LKS Lodz.

Newspapers have reported accusations that both teams assured their crucial victories by fixing matches, which the teams deny.

During the last round on June 20, with Legia and LKS tied at 47 points, Legia defeated Wisla Krakow, 6-0, and Lodz beat Olympiacos, 7-1.

The association is to meet again to decide whether the title is to be awarded this year.



Lance Armstrong had time for a chat with Tour officials en route to Verdun before winning a daily stage in his first Tour de France.

Armstrong Wins Stage With Late Surge in Sprint

By Samuel Abt
International Herald Tribune

PARIS — Finding a perilous opening along the crowd barriers in the last 50 meters, Lance Armstrong lived out his dream Sunday by winning a daily stage in his first Tour de France.

"It came down to desire," said the 21-year-old Motorola rider from Plano, Texas, after he won a six-man sprint into the historic city of Verdun in northeastern France. When a narrow lane opened in the dash to the finish, he surged through, caught the leader and crossed the line with his arms thrust high and pumping in victory.

Nearly two minutes behind the main pack came a final group, including Alex Zülle, the fine Swiss rider with the ONCE team who was among the favorites in Monday's long time trial and in the Tour itself.

He was knocked off his bike by a spectator at the summit of the Côte de Douaumont, 12 kilometers (7.5 miles) from the finish, and lay on his back on the side of the road in obvious pain for almost two minutes. Despite the help of teammates, he could not catch up once he got going again.

He was bleeding from the right elbow and favoring his right hand when he finally crossed the line.

Though Tour doctors said no bones were broken, the cuts and bruises may cost him dearly Monday in the first crucial stage of the race, a 59-kilometer individual time trial at the Lac de Madine.

Armstrong finished half a bicycle length ahead of Raul Alcalá, a Mexican with the WordPerfect team and the only rider who finished ahead of him in the Tour DuPont in the United States in May.

"An old rival," Alcalá called Armstrong, sounding as if the young American had been a professional bicycle racer far longer than 10 months.

Officials hurriedly inspected the record books to see if Armstrong was the youngest to win a daily stage of the bicycle race, which began in 1903 and has been halted only by world wars. The answer was "maybe," since Henri Cornet, who won the Tour by disqualification in 1904 at the age of 20, either did or did not win a stage, according to different histories.

Jacques Attali, Mitterrand's former senior adviser, was forced to resign from the European Bank for Reconstruction and Development last month after revelations of outlandish spending on the bank's decor and his own lavish lifestyle.

Pierre Bergé, chief executive of Yves Saint Laurent's fashion conglomerate and Mitterrand's choice to run the Paris Opéra, has come under investigation for allegedly selling company shares for a much-inflated value to the state-run Elf Sanofi firm.

And now, soccer.



Alex Zülle of Switzerland grimacing after crashing on Sunday 12 kilometers from the finish. Zülle, one of the Tour favorites, lost about two minutes, and although he broke no bones, doctors said cuts and bruises could hurt his chances in the time trial Monday.

After he left the victory podium, Armstrong was as jubilant as any veteran victor in the Tour.

"I'm very happy about that," he said redundantly.

Then, he watched a replay of the final sprint.

"There was nothing I could do," he said as he saw himself blocked while the six riders dug for the line. When the leader, Ronan Pensec, a Frenchman with Novemail, swerved slightly to his left, a narrow lane along the barriers opened and Armstrong bolted through.

He finished the 184.5-kilometer stage from Chalons-sur-Marne to Verdun in 4 hours, 22 minutes, 23 seconds. The main pack was 15 seconds behind the six breakaways, who got free five kilometers from the finish.

Johan Museeuw of Belgium retained the race leader's yellow jersey, but it was certainly the last time it will be worn by a sprinter as the time trial, followed by the mountain stages, will turn the standings upside down.

"Tomorrow it's finished for me," Museeuw said. "Sixty kilometers is too much for me to have a chance" against Miguel Indurain, the Spaniard who is heavily favored to win another Tour championship.

After Sunday's stage, Museeuw led Alvaro Mejia of Columbia by 39 seconds, with the Italian sprinter Mario Cipollini third, another 28 seconds back.

His stage victory Sunday moved Armstrong into 12th place, 2:32 behind.

Indurain is now 3:17 behind. But he lost no time to his major rivals, Gianni Bugno and Claudio Chiappucci of Italy.

Zülle, who would have had a chance of taking the yellow jersey in the time trial, fell from 10th to 42d overall.

Before the three-week race began July 3 in western France, Armstrong said that his Motorola team had entered him in the Tour at the age of 21 to give him "a learning experience." Admitting that it was "rather lofty," he said his main goal was simple: "I'd really like to win a stage. I definitely think it's possible."

Depending on how well he does in the time trial and then across the Alps later this week, Armstrong will continue in the race on a day-to-day basis, but is not expected to be allowed by his team to finish the Tour. The physical and psychological demands of the race are generally regarded as too taxing for a rider his age.

There has been no holding him back so far, though. He has contested some of the first week's sprint finishes, was a main force in Motorola's surprisingly high third-place finish in the team time trial on Wednesday and kept following breakaways Sunday until he found the right one.

"We needed to win today," Armstrong said, citing Motorola's failure Saturday when it had three riders in a seven-man breakaway and could not win.

The team is in its third and final year of sponsorship by the multinational telecommunications company based in Illinois and is courting other financial backers. A leading candidate is Kentucky Fried Chicken, whose representative is believed to have been riding without fanfare in one of the team's cars the last few days.

If so, he had a good look Sunday at the publicity a stage victory in the Tour de France generates. A fingerlicking good look, even.

For France, a Bitter Sense of Betrayal

By William Drozdiak
Washington Post Service

PARIS — It was a crowning moment of national glory. When Olympique Marseille upset AC Milan, 1-0, to win European soccer's Champions' Cup on May 26, all of France erupted in frenzied celebration to toast the country's first major triumph in its favorite sport.

The victory seemed pure and sweet. For a brief interlude, the cynical streak so embedded in French character vanished in a spasm of spontaneous joy. Bankers, businessmen and grandes dames whooped like teenagers, hoisting horns and waving banners along Parisian boulevards.

The national psyche seemed to receive a spiritual face-lift. Forgotten were the worries about a deepening recession and the disenchantment with the ruling political class.

But now, a bitter sense of betrayal has crept back into French life. Even something so sacred as soccer, it appears, may not be spared from corruption and bribery charges.

Bernard Tapie, the flamboyant rags-to-riches tycoon who owns the Marseille team and is a friend of President François Mitterrand, is under scrutiny along with the team's general manager for allegedly bribing players on another

French team, Valenciennes, to go easy in a match so that Marseille could save its energy for the European cup match six days later.

The revelations have taken the glow off France's European title and prompted deep soul-searching, as commentators lament the pandemic corruption that appears to be intruding into the country's most hallowed pastimes and institutions.

"There have been so many scandals in the last two years that people are getting injured to it, just like traffic jams," said Alain Duhamel, a leading political scientist. "People were already cynical about politics, but soccer was considered a sanctified domain."

Duhamel said he thought the accounts of bribery in soccer, as well as in politics, would reinforce the French tendency to reject groups and look inward for personal satisfaction.

"You already see this happening in the churches, labor unions and political parties," he said. "There are fewer and fewer people who practice religion or belong to political movements. They are fed up with their leaders in all walks of life."

The scope of recent corruption cases in France is narrower than in Italy, where the very basis of the postwar relationship between busi-

ness and government has been cast into doubt by a scandal implicating more than 2,500 of the country's politicians and businessmen.

But in France, more people are starting to wonder whether the series of scandals involving some of Mitterrand's closest friends and advisers may reflect a troubling appetite for greed among those who gain access to the president's inner court.

"It is now time to invent, along the lines of the Anglo-Saxon model, a civic morality where money will be under the close surveillance of the law," wrote Claude Imbert, editor of the weekly magazine Le Point. "Otherwise, in not respecting itself, French democracy will lose the respect of all."

Mitterrand has always prided himself on his rectitude, but during 12 years in power he has repeatedly been embarrassed by displays of greed or shady financial schemes linked to close associates.

Roger-Patrice Pelat, a Mitterrand friend from the World War II Resistance days who died in 1989, reaped a small fortune in an insider-trading scheme involving purchases of shares of Triangle Industries, a U.S. company, by the French state-owned firm Pechiney.

Prosecutors contend that Pelat was tipped off by Alain Boubill, the chief of staff for the finance minister at the time, Pierre Bérégovoy.

who later became prime minister. Boubill faces a possible two-year prison sentence.

Bérégovoy received a \$180,000 interest-free loan from Pelat in 1986 that enabled him to buy a Paris apartment. The loan did not appear to be linked to the Pechiney insider-trading scam, but it damaged Bérégovoy's reputation and possibly drove him to commit suicide in March, following the Socialist Party's devastating loss in national elections.

Jacques Attali, Mitterrand's former senior adviser, was forced to resign from the European Bank for Reconstruction and Development last month after revelations of outlandish spending on the bank's decor and his own lavish lifestyle.

Pierre Bergé, chief executive of Yves Saint Laurent's fashion conglomerate and Mitterrand's choice to run the Paris Opéra, has come under investigation for allegedly selling company shares for a much-inflated value to the state-run Elf Sanofi firm.

And now, soccer.



The public prosecutor, Eric De Montgolfier, leaving the court house in Valenciennes. He called Christine Eydelie's testimony "decisive."

SOCCER: Charges of Team's Bribery Make Marseille a City Under Siege

Continued from Page 1

is a way of life that is different from the rest of France."

It should be remembered that Marseille's European victory was celebrated all night throughout France. In the ensuing six weeks, however, a line of accusations has been drawn around Marseille — almost inevitably, to hear some locals talk.

Three players from Valenciennes, a club that was demoted to the second division after last season, claimed that the Marseille midfielder Jean-Jacques Eydelie offered them 250,000 francs (\$50,000) to "take the foot off of the gas" in a May 20 match against OM.

The wife of the Valenciennes player Christophe Robert alleges that she picked up the money from Mr. Eydelie. Police found an envelope containing that amount in the yard of her parents' house. The French daily Le Monde reported that Mr. Eydelie's wife, Christine, told the police on Friday that Marseille's general manager, Jean-Pierre Bernès, had pressured her husband to bribe his friends on the Valenciennes team.

"When a club is the greatest in France, it doesn't need to pay another club that is the worst," Mr. Gouirand said. "It is a very crazy story; it is a very ridiculous story. I think it's a political story."

An old story, he might have said. A sign near the old port says of the Greeks: "They founded Marseille, from which civilization reached the West." Over the course of 25 centuries, civilization passed through Marseille and continued 800 kilometers north, where it became set in stone in Paris. In approach and organization, Marseille more closely resembles Barcelona. It shares little in common with the stately facade of the French capital.

Marseille has always belonged to whoever happened to be in town. Sailors have always stayed here, while tourists have been more proud to visit Cannes or Antibes or Monaco farther east along the Riviera. Marseille is like the French engine room on the Mediterranean. Drug traffic has long passed through the city, site of the "French connection." The far-right policies of Jean-Marie Le Pen found strength here, against the steady influx of foreigners.

At night the professional women appear brazenly under the streetlights, arrayed like all the sidewalk statues of Paris come to life. It was in this setting that Bernard Tapie, an entrepreneur and politician, rescued Olympique Marseille from the second division seven years ago.

An OM supporter of 24, who works in an athletic boutique near the soccer stadium, finds it difficult to gauge Mr. Tapie's popularity.

People see him as a businessman first and always, he said, and so they question his motivation in becoming a Socialist government minister and National Assembly deputy. A business scandal temporarily forced him out of his ministerial post last year. The national elections in March forced the Socialists out and therefore him, but he remains politically ambitious.

He has denied claims that he promised Valenciennes' former coach, Boro Primorac, a job as coach of the Corsican team Bastia, if Mr. Primorac would agree to accept the blame for the alleged Marseille scandal.

"You cannot say that Tapie has had ambitions and should go away," said the fan, who asked not to be identified. "At the same time, people say thank you again to Tapie for all that he has done with the team."

"A lot of people don't really like Tapie as a man," said Mr. Lievans, the waiter at the portside bar, "but he's the only one who is doing something for the city."

It is a city of 900,000 people who understand, essentially, that no one is pure. At the newsstands, Mr. Tapie is now bigger than ever. In an advertisement for the magazine Le Sport, a blown up photo of his face is covered by the crossing lines and circles of a gunshot.

Were this affair developing around a professional baseball or football team in the United States, it

would become an enormous ethical dilemma; witness the "Black Sox" baseball scandal of 1919. But European soccer is ridden with rumors of fixes in Italy, in Spain, in France.

Although it is France's second-largest city, Marseille has the misgivings of a much smaller and more downtrodden town. And so there is a sense of community against the mean outside world. The question is not of innocence or guilt — for innocence is a falsehood and guilt is a relative pronouncement. Guilty in whose eyes?

"It is like a secessionary war, the South against the North," said Mr. Gouirand, a member of the "South Winners" fan club, which accepts members of all races. "In our country, the North has the political power. The North has never liked the South. They are jealous of our mentality, of our culture. We are the sunshine country, and they are the place of snow and rain. The president of the club is a leftist, and the power of France is on the right."

How will the people react if Marseille is found guilty of the charges, and is demoted to the second division, stripped of its titles?

"It will be a war," Mr. Gouirand said. Later he amended this; in truth, he said, he could not predict what might happen.

"You should just write that we are no longer France," he said. "We reject France. We are Provence."

DON'T CRACK UNDER PRESSURE

OFFICIAL TIMEKEEPER OF THE FORMULA 1 WORLD CHAMPIONSHIP

TAG Heuer

صكنا من الأصل

A Japanese Woman Looks East and West

By Christine Chapman

TOKYO — "I wanted to be a person who could move my country and the world. Then I realized, I am a woman and a Japanese woman can't be like Joan of Arc. So I decided to marry a person like that and support him." So speaks Shizue Ishimoto Kato, a former member of the Diet who at 96 is the doyenne of Japanese feminists.

"Fortunately, I was given good health, a long life, and the final success of my movement, all gifts of the gods," she said during a recent interview in her Tokyo apartment. Kato, who in her first marriage was the Baroness Ishimoto, is the Margaret Sanger of Japan, a lifelong advocate of birth control who went to prison for her beliefs in 1937.

In 1922, when Sanger came to Japan on a world speaking tour, the young baroness befriended her and was soon inspired by her. Sanger, a trained nurse, was espousing birth control to improve the health of mothers and children.

As a new bride, the baroness had lived with her husband, Keiichi Ishimoto, among the poor mining families of the Ashio copper mines district. Seeing women working in the mines with the men and later at home among several ill-cared-for children, she had already begun to agitate for birth control as the means of "abolishing injurious abortion, infanticide and everlasting poverty." So she wrote in her 1935 English autobiography "Facing Two Ways: The Study of My Life," reissued by Stanford University Press in 1984.

This engaging story follows only the first third of her life, from her birth in 1897 until 1932, when she went to the United States on a lecture tour. Still to come were the drama of the war, her second marriage, the founding of her organization Tokyo Forum five years ago "to influence Japanese family women," and the 1988 United Nations Population Award for her work in the birth control movement in Japan.

The years covered by "Facing Two Ways" detail the marriage of the young Shizue Hirota into the noble house of Ishimoto, their years in one of the poorest districts of Japan while the baron, an idealistic Christian, supervised the mining operations, and later Kato's self-education in the United States, at her husband's request, perfecting her schoolgirl English and learning to type and take shorthand while he traveled in Europe.

When the Ishimotos returned to Japan and to their two young sons, she continued to espouse birth control, making speeches throughout the country. She acted in the spirit of her class, the intellectual elite, as a do-gooder not yet certain of the most effective way to succeed. She joined none



Shizue Ishimoto Kato, 96, remembers defeat and victory.

of the active feminist groups, insisting instead on studying the history of women's problems through the founding in 1925 of a research institute.

Nevertheless, she was bitterly criticized for her advocacy, called "Madame Control," caricatured in newspapers and hissed at, while other upper-class Japanese asked her to urge "my sex to bear as many soldiers — noble patriots — as they possibly could."

She credits Baron Ishimoto, at first angry with her, with the "great problems of her countrywomen."

It was not the way her mother had brought her up. She had tried "to cast her daughter into the mold deemed so admirable by Occidental and Oriental philosophers." A naive grace was the desired effect. "Even my speech was to be free of such assertions as 'I think,' 'I like,' 'I want,' 'I, I, I.' I never coming first, unlike the style of free Western girls. My mother warned me that I must listen to others

always, smile at whatever they said, and express as little as possible of myself."

After a few years, Baron Ishimoto changed, too, back toward the conservatism of his class. "So after all," she wrote, "I had a regular feudal lord at home," one who began to invest, and lose, his family fortune in Manchuria.

In 1936, her husband left her, the same year she opened a Tokyo clinic modeled after Sanger's in New York. She manufactured creams and jellies for the clinic, since she could not get them in Japan, and claimed a 98 percent success rate in contraception.

On Dec. 15, 1937, she was jailed for sedition, for writing "dangerous thoughts" on the subject of birth control. Out of 2,000 citizens arrested that day, she was one of two women. The other, who shared her cell and tatami mat, was "a hired maid from a brothel who sacrificed herself for her mistress, a prostitute," she recalled.

The New York Herald Tribune, The New York Times and the Christian Science Monitor campaigned for her freedom, but with little effect. After two weeks, she was set free to pay her New Year's courtesy call on the emperor because she was still a member of the nobility. Her clinic was closed on Jan. 30, 1938, and Japan's birth control movement was effectively silenced until after the war.

In March 1944 she and Baron Ishimoto were divorced and she soon married Kanju Kato, who had arranged her first speeches in 1923. In March 1945, when American bombs were falling in her Tokyo neighborhood, she gave birth to a daughter, Taki Kato, at the age of 48.

"Facing Two Ways" suggests that Kato faced not only East and West but also the conflicts within Japan itself, between feudalism, which "has clung to us like a leech," and the soon-stifled yearning for universal suffrage and women's rights. Men were granted the vote in 1924 but women not until 1946, during the Allied occupation.

"General MacArthur was really very nice to Japanese women," she said. "The first thing he did in 1945 was to give them equal rights."

Japanese women went to the polls for the first time on April 10, 1946. Shizue Kato, running on a women's rights and birth control platform, was the top vote-getter. She became one of 39 women elected to the House of Representatives, the highest number in the Diet's postwar history, and she went on to serve in the legislature for 29 years. Her second husband also scored a big victory as a labor candidate. (Both Baron Ishimoto and Kanju Kato are now dead.)

Although she admits that the quality of life for Japanese women has improved, Kato is not completely satisfied. The government has not approved the birth control pill for general use, and legalized abortion is still considered an adequate means of birth control.

Kato is planning to dictate a 100-year history of Japanese women. Meanwhile, she keeps busy giving speeches and writing "pink letters," her commendations for good deeds, mailed in shocking pink envelopes.

"If I find that a man is sincere and not corrupt, if he does the right thing at the right moment, I write him a letter. When Prime Minister Miyazawa treated sick President Bush very kindly at that state dinner party, I wrote to him. I've written about 20 letters in the past three years. I try to give encouragement to people instead of criticism."

Christine Chapman is a free-lance journalist who specializes in the arts.

Today's Forecast: A Bad Hair Day

By William Safire

WASHINGTON — In the old days, newspapers were fairly straightforward about their weather predictions: "Tomorrow: cloudy, likelihood of thundershowers in late afternoon" was typical, or "Tomorrow: mostly sunny, hot and humid."

In the heat of competition from handsome, giggling weathercasters on television, however — with their "Booyah, it's tomorrow gonna be a scorcher!" and "Get out those gaslopes, Charlie and Joan, it'll be pouring down cats and dogs" — the too-dignified print medium has had to enliven its prose.

Here is a recent forecast from the upper right hand corner of the front page of The New York Times: "Tomorrow, sunny, spectacular."

We all know what kind of weather that is: two degrees lower than, and one wispy cloud-short of, glorious. This sprightly editorialization of the weather news will surely lead to "Tomorrow, unseasonably cold, bone-chilling, perhaps all the way to 'Tomorrow, overcast, drizzly, suicidal.'"

One kind of day that everyone dreads, however, has something to do with the humidity and the wind speed: it is the widely known and feared bad hair day. "For the past year or two," writes David A. Florman, "the expression bad hair day has been used by my teenage daughter and her friends. This week I noticed the expression on the cover of Glamour. Where was this first used?"

Irritated with his coverage by Us magazine, the comedian Garry Shandling (who used to begin his routine with "Is my hair all right?") told The Seattle Times in January 1991: "I was at a celebrity screening of 'Misery' and they made up a quote for me. They said I told them I was having a bad hair day. They didn't even talk to me!"

It was doing Shandling a big favor, if his claim of misquotation is true: that was the first Nexis citation of a phrase that is up-sweeping the country.

"There are good-hair days," wrote Margo Kaufman in the Los Angeles Times a month later, "when every curl bounces into place unbidden and I feel as if I can conquer the world. And there are bad-hair days, when each tress be-

comes possessed and I feel powerless and-out of control."

A month later, it appeared in the Toronto Star: "Did Robert De Niro get caught in a crosswind or was he just having a bad hair day?" The following year, Mary Ann Hogan of the Los Angeles Times quoted hair stylist Richard Demayo: "Bad hair is like the 'check engine' light going off in your car. It's a sign that tells you: Do Not Proceed. You should just go back to bed."

The phrase crossed over from the style page to the front page with President Clinton's famous \$200 haircut. "Bad hair day for Code-named Elvis" was Brandweek's lead; CNN's Jill Dougherty repeated.

The Washington Post's headline about "Hair Force One" and added, "Back at the White House, it was a bad hair day." Since the phrase bad hair is being used as a compound adjective modifying day, it should have a hyphen, but in almost all the citations does not, and we might as well accept the mistake as idiomatic. Because it has lasted longer than the usual nonce expression, it deserves definition: specifically, "time when humidity leads to terminal frizzies or wind ruins a careful coiffure," but more profoundly, "the sense of frustration at a time when one seems to lose control of the ordinarily manageable details of life."

Cheer up, bathshavers: after the wind and the mugginess pass up and depress us, the clouds roll by and the birds of our mind-set become nothing short of spectacular.

"Every program or proposal President Clinton makes is described as a package," complains Richard L. Bacon. "We recently had a stimulus package; now we have a tax package. Waiting in the wings is Mrs. Clinton's health care package and a Russian aid package."

True, every day is Christmas, packages piled under the tree. What's become of plans, proposals, strategies, bills, agendas? All wrapped up and bundled in a single vogue word: package. "The contents of a package are not the package itself," Bacon points out. "Don't we know the difference anymore between the wrapper and the contents?" That's arguable; the contents remain a package until separated. But it's hard to argue with "I don't recall FDR sending a

New Deal Package to Congress. Would today's journalists call his program a New Package, or better, a Package Deal?"

That phrase caused a mild furor when used by "Engine Charlie" Wilson in an Eisenhower Cabinet meeting. When conservatives resisted a negotiated peace in Korea because they feared it might lead to recognition of "Red China," Defense Secretary Wilson asked innocently, "Is there any possibility for a package deal?" Sherman Adams recalled later, "Eisenhower managed to control himself."

We might well give the over-worked, neatly tied word a rest; a set of proposals might be worth a try. But that will not be easy with Laura D'Andrea Tyson, chairman of the Council of Economic Advisors, telling Barron's, "The stimulus package was just one part of a multi-part package."

Connie Chung, following weeks of interviews about her elevation to co-anchor with Dan Rather on "The CBS Evening News," gave her reaction to the order in USA Today: "I'm farnameti! Farnameti! Farnameti!"

For those without a copy of Leo Rosten's "Joys of Yiddish," stand here is the synonym: *farnameti* (rooted in the German *farnam*, "to rush about") means "boastful," "fartooos" (from the German *fartoo*, "confused") means "mixed up," *farnameti* (from the German *farnam*, "mingled") is the strongest of the three, meaning "all balled up, totally confused."

The alliteration, not to mention the perfectly calibrated increase in emphasis on confusion demonstrated by the choice of the three synonyms, suggests that Chung has a fine command of Yiddishisms.

She did not add *farnameti* (from the Slavic "to roam"), which means "wandering about with no idea where you are," presumably because that word is frequently used by worried ABC executives to describe CBS News.

New York Times Service

INTERNATIONAL CLASSIFIED
Appears on Page 6

WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Table with columns for Region, City, Today, High, Low, Tomorrow, High, Low. Includes cities like Tokyo, London, New York, etc.



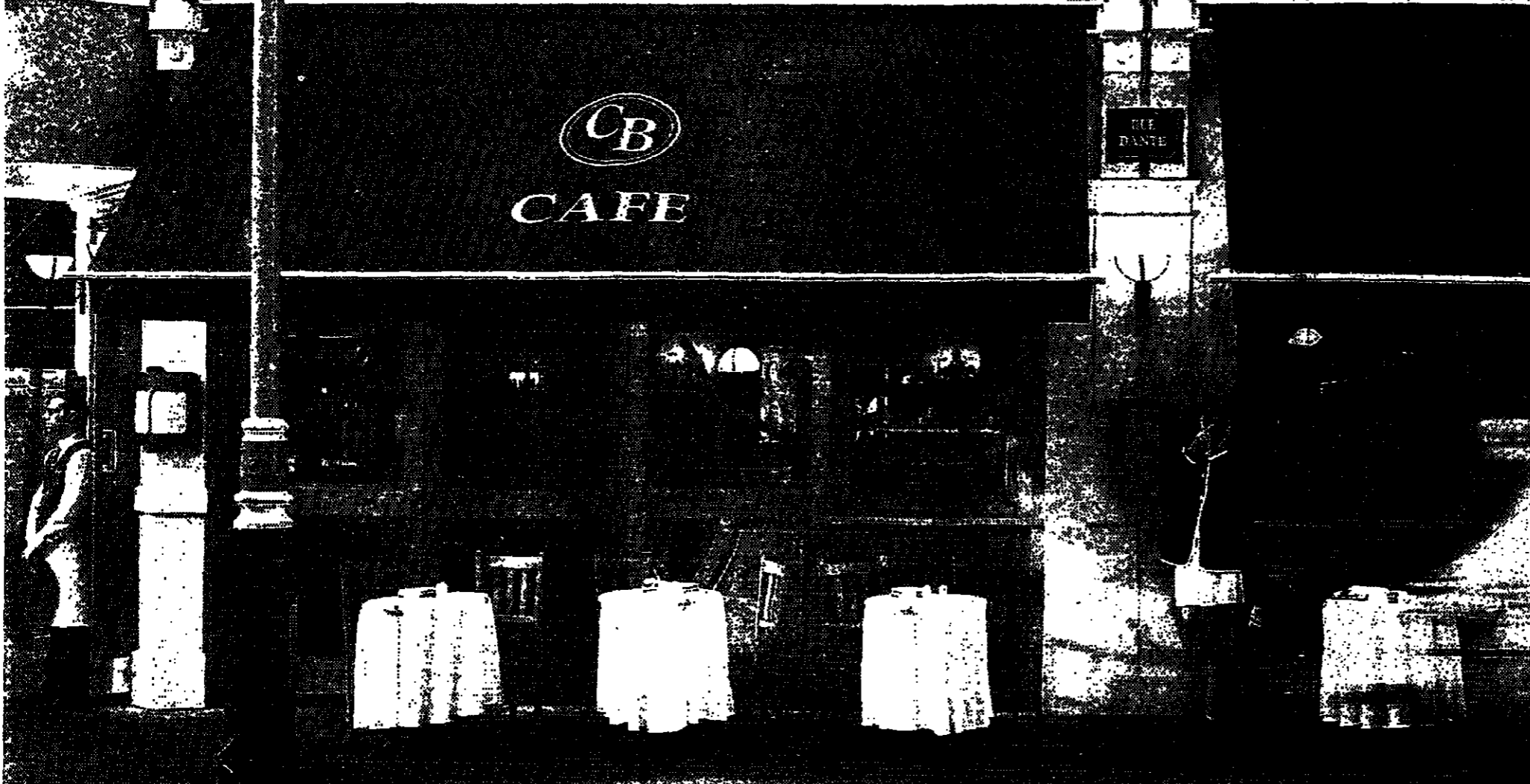
North America: Cool, unsettled weather will last late week... Europe: Cool, unsettled weather will last late week... Asia: Steamy tropical heat will lead to hi-or-miss thunderstorms daily in Singapore, Bangkok, Manila and Taipei Tuesday through Thursday... Africa: Algeria, Cape Town, Casablanca, Havana, Lagos, Nairobi, Tunis... North America: Anchorage, Atlanta, Boston, Chicago, Denver, Detroit, Honolulu, Houston, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Francisco, Seattle, Toronto, Washington... Middle East: Beirut, Cairo, Damascus, Jerusalem, Kuwait, Riyadh... Latin America: Buenos Aires, Caracas, Lima, Mexico City, Rio de Janeiro, Santiago, Sao Paulo, Tegucigalpa, Washington...

CROSSWORD

- ACROSS: 1 Draft letters, 4 Type of type, 9 Cicatrix, 13 Cry of surprise, 14 Conchita's losses, 15 The Hindu Cupid, 16 Natural disasters, 19 News bit, 20 Most diaphanous, 21 Alf and E.T., 22 Uncommon, 24 Competing, 25 State tree of Tex., 26 Regret, 28 'The ___ and the Ecstasy' Stone, 29 Subsidies, 30 Imminent, 31 Caviar, 32 Mechanical repetition, 33 Pedro's father, 34 Actress Kirk, 42 '___ pig's eye!', 43 Carry on, 44 Apprehends, 45 Slender, graceful girl, 46 Go astray, 47 ___ of robins, 48 Greek mountain nymph, 49 Farm unit, 50 O-9, 51 Permant, 52 Raize, 53 Important churches, 54 All-purpose bricks, 55 Woodwinds, 56 Actress, 57 Ulmann, 58 Gin pole, 59 Lachrymose output, 60 Light blow, 61 Black Hawk's people, 62 Jahan, Taj Mahal builder, 63 Sharpen, 64 Auriculate, 65 Sarcoid, 66 Newsman Dan, 67 Portico for Zeno, 68 Brewer's need, 69 C. Lamb, 70 Request letters, 71 Honest.

Solution to Puzzle of July 9. A crossword puzzle grid with words filled in: SAVAGES, PARASOL, ANEMONE, AMATIVE, TITANIC, POSTMEN, AMEN, DRIER, AIRD, MAR, BIER, ASE, TITAN, STEEP, GIBBS, GENEGAL, DEPARTS, BOI, AIT, VALENTINE, ZEEPER, ALLEN, EXILE, SADE, CAN, POE, LUV, ABEL, FOUND, LOCI, TAMALES, DEBITAL, AMANATE, EMULATE, DANQLED, RETIRED.

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